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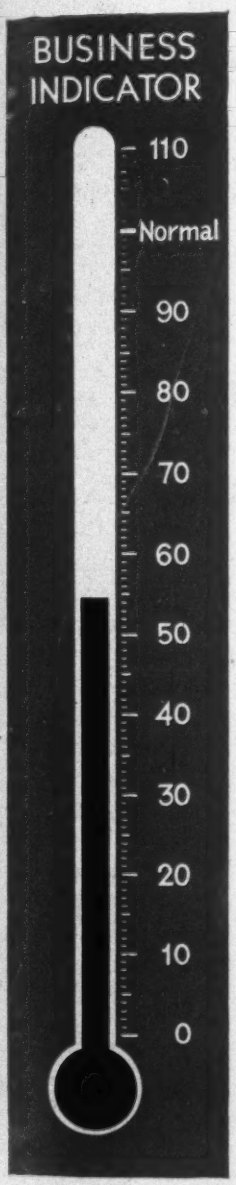
THE BUSINESS WEEK



With pleasing punctuality as September sets in some of the more important indicators of business activity have begun to lend needed support and confirmation to the rapid advance of security and commodity prices during the past three months, and to reflect in somewhat more concrete and convincing form the scattered reports of business improvement and the freshening of financial sentiment which have been the familiar feature of the front pages in the past few weeks. . . . Although steel mill activity has not yet been greatly quickened by revival of demand from the principal sources, a somewhat better than seasonal showing in electric power output, building contracts, coal production, and carloadings in recent weeks is encouraging evidence that the long decline in business has been checked and that some vigor for fall revival remains. . . . The continued uptrend in security and commodity markets, slight signs of impending member bank credit expansion, and the spread of a more hopeful outlook in European financial centers all combine with these first symptoms of business improvement to strengthen the impression that the more serious phases of the depression are past and the process of recovery begun. . . . How rapidly this recovery may proceed will depend in large part on how promptly further efforts toward reduction of wages are abandoned and the indispensable restoration of consumer purchasing power is started.

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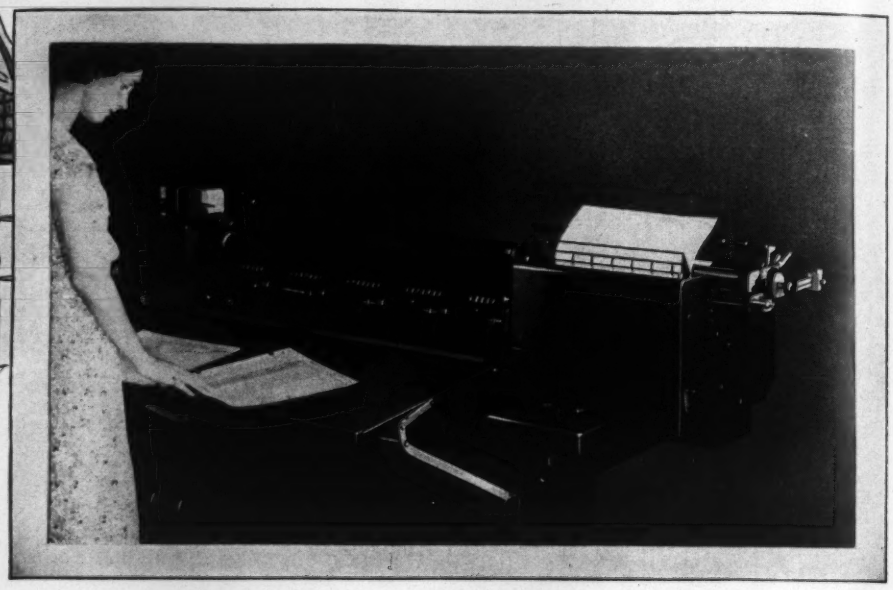

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OFFICES AND SERVICE STATIONS IN ALL PRINCIPAL CITIES OF THE WORLD

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This Business Week:

Recovery

So far, effects of the Administration's program to promote recovery have been "mainly psychological." This psychic improvement must be solidified into fact and supported by physical betterment this fall. Hence the Administration's pressure on those parts of the program which promise prompt results. *(p. 5)*

Even the R.F.C., for all the multitudinous problems involved, has accelerated its consideration of self-liquidating projects. *(p. 7)*

The Treasury has decided not to follow just yet the example of England, France, and Italy, by attempting to cut interest costs on long-term debt. *(p. 20)*

Marketing

Gasoline service stations, facing falling demand, have been "buying gallonage" with secret discounts. No longer secret, discounts are still price cuts and may signal the long-feared general weakening of the price structure induced by oversupply. *(p. 7)*

American Tobacco's entry into consignment selling will be watched by others anxious to control price and sales conditions. The system has worked well with electric lamps, has yet to prove itself in more perishable merchandise. *(p. 8)*

Frigidaire has gone further than other big makers in meeting low-priced competition with a low-priced model. The new model bears the Frigidaire nameplate, sells at the lowest price ever, features aluminum foil insulation which gives more inside space with the same outside dimensions. *(p. 9)*

Washing machine makers seem not particularly perturbed over the Maytag patent covering the agitation principle almost universally used. Some feel that a few good, tight patents, properly licensed, would help the industry by keeping out the price-chiselers. *(p. 10)*

The coming of the wash suit means business for the laundrymen; through their association and its model plant, they are learning how to cash in on the new market. *(p. 13)*

The non-run hosiery seems to be the answer to everywoman's prayer; it is selling. *(p. 9)* In California, bakers object to the use of bread as a loss-leader. *(p. 10)* Hawaiian pineapple growers are pooling their troubles. *(p. 9)* Salmon packers have a new sales argument: canned salmon is almost as full of vitamin D as cod liver oil—and tastes better! *(p. 13)*

Utilities

Power interests look to rural districts for future expansion. Lately farm electrification has slowed up, due to hard times; the industry considers expansion of use in territory already wired rather than extension into untapped territory. *(p. 12)*

Holding companies fall between state and federal control. The Federal Power Commission's assertion of authority will help clear up an uncertain situation. *(p. 12)*

Transport

Railroad management and railroad labor may discuss wages diplomatically but railroad income figures speak for themselves, say all too plainly that wages will not be restored, may have to take another cut. *(p. 14)*

Pan American Airways will use its experience gained in the tropics to expand aviation in Alaska. *(p. 14)*

Chastened by the threat of government regulation, the intercoastal ship lines have buried the hatchet and the rate chisel, renewed their sailing agreement. *(p. 15)*

World shipping, its trouble intensified by the depression, leans more and more on government aid everywhere. The merchant marine has become a naval affair. *(p. 16)*

Foreign

Chile's need of cash brought a drastic cut in nitrate prices which has upset fertilizer markets, made itself felt in many quarters not apparently allied to the industry. *(p. 11)*

Germany's economy program, which subsidizes industry, employment, and relief, is a gamble that the worst of the depression is over, marks another step in Germany's steady march toward state socialism. *(p. 22)*

Cables show increasing confidence abroad. Germany is backing business with subsidies, raising tariff walls to protect manufacturers, increase revenue, and safeguard foreign exchange. Britain, although disturbed by the great textile strike, continues very hopeful. France holds back on trade negotiations with the U. S., prepares for debt conversion. Central Europe works on trade problems. Japan's relief program failed to pass completely. Mexico's change of governments did not disturb business. *(p. 28)*

New Products

A mixture of asbestos and cement, used in industry and in building, makes good water pipes, too. *(p. 13)* Oats, long featured only in oatmeal for winter, will become oat flakes for summer. *(p. 15)* Rayon research is concentrated on cutting costs but new types are in the offing. *(p. 26)*

Figures

Business indicators this week show some substance to back the "psychological improvement." August construction activity will push it above July. Coal production continues its seasonal expansion. Carloadings are increasing twice as fast as last year. Electric power output is increasing. Commodities continue strong. Slight improvement in steel needs the confirmation of succeeding weeks. *(p. 32)*

Henry Ford
Continues to Modernize

THE Ford Motor Company of Detroit, Michigan, is ever alert to take advantage of the most modern tools to reduce costs and improve quality.

It found that important savings could be made by changing its direct-current drives to the latest-type enclosed alternating-current motors, and control. Results to date: fewer interruptions to production, materially reduced maintenance costs, reduced inventory on repair-parts stock, less power consumed, and less horsepower installed for the same output. That's what modernization has done for this great organization. In one form or another, the benefits of modernization are evident in every industry.

When you operate obsolete equipment you pay for modernization without getting it. The right kind of modernization pays for itself.

Electrical modernization nas solved many a problem of profits. The facilities of General Electric are at your disposal, to help you plan and execute. General Electric Company, Schenectady, New York.

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GENERAL ELECTRIC

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending September 10, 1932

Plans Promising Quick Results Come First in Recovery Drive

Administration is concentrating on measures most likely to support a fall upturn

ALTHOUGH the general principles have been clearly expounded, lines of action laid down and committee organizations set up in the Administration's campaign for recovery, concrete activities directly stimulating to employment, buying, and production have been somewhat slow in developing, and the stimulus to business from this source so far has been mainly psychological. It is recognized that there must be some actual expansion in production and trade of more than seasonal proportions during September and October in order to support the advance in security prices and avoid relapse of business sentiment. The Administration's campaign is accordingly being concentrated more largely on those parts of the program which promise prompt results.

Some aspects of the campaign plan have already proven to be disappointing or excessively slow and indirect. Thus the railroads are not rushing to borrow from the R.F.C., even on liberal terms, for any large amount of repair and maintenance work. The Pennsylvania has agreed to use R.F.C. funds to employ 700 men for the winter in rebuilding cars, and the B.&O. will do likewise, but this work will be done in the railroad shops and involve relatively few workers.

Rail Aid Organized

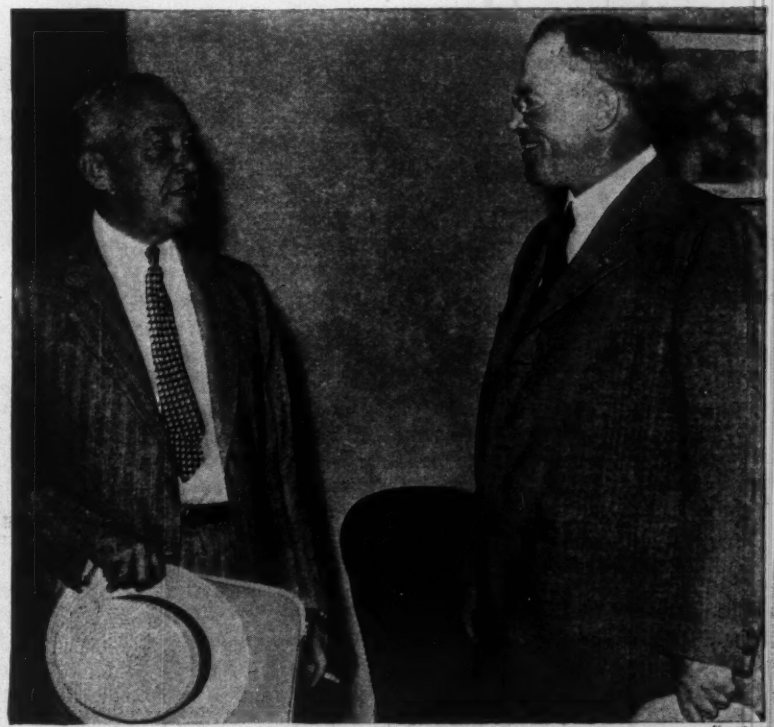
Purchase of new railroad equipment, and consequently employment in its manufacture, depends not only upon the development of demand among the roads, but also on completion of financing arrangements. A special financing organization for this purpose called the Railway Equipment Finance Corp. was incorporated in Delaware last week, but it will obviously be some time before any large amount of work is forthcoming in this field.

The same is more especially true of plans for increasing employment in other machinery and equipment manufacturing fields. The committee for this purpose, headed by A. W. Robertson of Westinghouse, is developing its organization of local subcommittees whose immediate function must be to stimulate employment of more workers in rehabilitation of plants and arouse interest among manufacturers in modernization of equipment. So far no means of financing new industrial equipment purchases on a large scale has been worked out with assistance of the R.F.C., the Federal Reserve, or otherwise; but it is not yet definitely clear how necessary such financing will be to create a considerable volume of employment in the equipment industries if the active interest of users can be aroused.

Improvement in the security market has not yet gone far enough to invite any great volume of new financing for industrial and utility improvement purposes; but a sufficient number of larger concerns probably have sufficient cash resources to enable a good start to be made in an equipment replacement movement. It seems doubtful, however, if any such movement can develop promptly enough to have marked influence on the volume of employment this fall.

Self-Liquidating Jobs

It is also proving a somewhat slower business than was expected to bring forward any large volume of self-liquidating public projects which might be directly and promptly helpful in increasing employment both on the job and in the material-supplying industries.



Keystone

BREAD AND BUTTER SPREADERS—*K. R. Kingsbury (left) Standard Oil, California, and Walter Teagle, New Jersey Standard Oil, leading exponents of the spread-work plans included in the "counter-offensive"*

Applications for R.F.C. loans for such projects are pouring in, and estimates of the potential volume are impressive. Charles F. Abbott of the American Institute of Steel Construction in his most recent statement from the White House last week said that there was $1½ billions of such work waiting to be done. But, because of the necessary preliminary red tape involved, not a single project has yet been approved, and it does not seem likely that any very heavy volume of such work will actually get under way before winter.

Opposition Arises

In some instances proposed projects have begun to arouse opposition among other interests affected. In New York, for instance, the proposed new vehicular tunnel, prototype of the self-liquidating projects, is being opposed on the ground that existing ferry, tunnel, and bridge facilities are more than adequate. Likewise slum-clearance and low-cost, limited-dividend residential building projects in New York state are not being welcomed with enthusiasm by some real estate interests who fear that existing property values may be adversely affected.

For these reasons most emphasis is now being placed upon those aspects of the Administration's general campaign plan which promise most immediate trade stimulus. First, of course, the R.F.C. is steadily making direct relief loans—the latest last week to Florida. Second, the spread-work campaign, headed by Mr. Teagle of the S.O.N.J., got under way, publicity-wise, last week. So far as this organized effort actually influences employment policies and adds to the number of workers at jobs it may be counted as an addition to unemployment relief funds from private resources where others are depleted, and in some measure a trade stimulus.

Farm Conditions Vital

Third and most important point upon which attention is being centered is that of bringing immediate increase in farm buying power, which, of course, would react promptly on urban employment. This is the reason for the Administration's active interest in prices of farm products. A substantial rise in prices of crops now being produced or marketed would be the most immediate stimulus to buying in rural centers and hence to expanding urban business activity. Special efforts to raise non-agricultural commodity prices are not so important. That would naturally follow increased demand for manufactured goods from farm areas, and could be left to itself.

Devices for inducing a rise in farm products have been of several kinds. Announcement of intentions and plans to this purpose have, of course, stimulated speculative activity in commodity markets and pushed prices up. Speculative funds and credit have thus been drawn into use to carry commodity stocks. But, on the whole, the actual increase in farm purchasing power realized through sale of products by farmers is not measured by the rise in quotations in the future markets. Only as actual consumption demand has been increased, or as producers are enabled to hold their crops from market to realize a better price, do the rising quotations have an actual significance in enhanced farm purchasing power.

Keystone

FOR SLUM REBUILDING—*Senator Robert F. Wagner pledges his cooperation to a New York group which wants the R.F.C. to allocate $45 millions in loans for semi-philanthropic housing projects on the lower East Side*

"C.F.C." Starts Work

The Commodities Finance Corporation's chief function was probably, by its announcement itself, to stimulate speculative buying, but it can also help on the effective demand side by financing purchases for use. The first such loan was made last week, and the R.F.C. is considering similar financing of sales of wool to woolen manufacturers, under its authority to encourage orderly marketing of farm products.

The most energetic activity in relation to farm prices, however, is that of the R.F.C. in financing holding or orderly marketing by producers through setting up new agricultural credit corporations and through some direct loans to existing credit corporations and cooperatives. Although authorized to establish and supply the capital for one such in each Reserve district, none has actually been organized, but work on several is being speeded.

This activity, besides adding to the increasing complications and size of the farm credit structure that has been built up with federal aid, cuts into the Farm Board's field, with consequences not yet quite clear. Some of the agricultural organizations like the Farm Bureau Federation are afraid that competition between these two federal agencies may not work out for the best interest of the farmer. They fear that R.F.C. financing may favor the purchaser or trader in farm products as much as or more than the producer, and want to see the money passed on to existing cooperative organizations through the Farm Board, which has now run out of funds for loaning.

Farm Board Banker

The R.F.C. will act as banker for the Farm Board in the most important part of the program for supporting farm prices—withholding from market the board's and its associated co-op holdings of cotton and wheat. The board's wheat, now about 3 million bu. in cash wheat and about 25 million in futures, will be held at least till Jan. 1, 1933, except for such amounts as may be marketed abroad in countries that would not otherwise be buyers of American grain. The board's direct cotton holdings are now about 350,000 bales, 300,000 having been sold in recent months and 500,000 held for the Red Cross. This remainder will be held until Mar.

1, 1933, unless it can be sold for 12¢ or more. In addition, cotton held by the board's co-ops and financed by board funds (about 1,300,000 bales) will be kept from market till July 31, 1933.

In trying in this and other ways to support prices the R.F.C. seems to be assuming indirectly most of the price stabilization functions of the Farm Board, at least temporarily, and by supplying funds for co-op financing it is giving the board a new lease of life.

R.F.C. Board Will Define "Self-Liquidating" Liberally

WASHINGTON—In the face of criticism that its regulations governing loans are unduly onerous and make the preparation of loan applications unduly costly, the Reconstruction Finance Corp. is doing its utmost to speed up the financing of self-liquidating projects. Part of the criticism that it is attempting to freeze out applicants is attributed to the fact that many of the projects submitted are visionary or have not been properly authorized locally. The point is made that the quarrel of the disappointed is with the law and not with its administration.

If a project can qualify on its constructive merits, the board now seems likely to take a liberal attitude regarding its self-liquidating character. While the law prohibits the diversion of tax money to defray any part of such a project's cost, it is understood that the R.F.C. will not construe this provision as preventing repayment of its loan by taxation when there is a reasonable prospect that the enterprise will pay for itself over a longer period, thus indemnifying the taxpayer.

There is a portent for taxpayers in the board's decision that if, from all the evidence at hand, a project is deemed to be self-supporting, its eligibility will not be affected by the fact that the power of taxation is additionally available for payment of the loan. Some day the question will doubtless rise whether the R.F.C. can enforce payment from tax revenues of a loan for a project that has turned out to be less self-liquidating than expected.

Definitions Needed

Decision as to whether particular methods proposed for covering construction costs constitute taxation will depend in many instances on a nice legal definition of the terms of various state laws and local ordinances.

From the heap of some 400 proposals that are to date little more than inquiries the board is now trying to find projects that will go through without a hitch and perhaps quiet some of the impatient. First loan will be made for the bridge with which the Public Belt Railroad Commission of New Orleans will span the Mississippi 12 miles above the city. A "preferred list" of applications includes 28 bridges, 68 water supply systems, 26 power plants, 9 sewers, 30 irrigation and 4 drainage projects, 4 docks, and 1 hospital. Various plans for street improvements, terminals, markets, dormitories, reforestation, and flood control are included in a deferred list.

Department Store Buying Is Being Decentralized

THE lordly department store buyer, eclipsed for a time by centralized purchasing offices, is coming back. American Department Stores, Inc., are discontinuing their buying offices in New York and reverting to decentralized buying. A similar move had been made by the Hahn Department Stores. Others are expected to follow.

During the boomtime merger era, financiers dominated merchandise men. Stores herded together were regimented, their activities simplified, purchasing and other staffs reduced and centralized. This took from the local store the power it formerly had to select goods suited to its particular market.

Probably the local buyer will never regain his (or her) old autocracy. Most likely is a combination of the local buyer, who knows what the clientele wants, with the resident buyer familiar with New York and Paris markets.

Gas Discounts, Open or Secret, Are Just Price Cuts in Disguise

GRANTING of gasoline discounts in the Middle West may be the beginning of general price cuts long-dreaded by the industry. It is a dark cloud which overhangs the whole oil marketing situation, a cloud already considerably bigger than a man's hand, and growing ominously larger.

For some time, service stations in many Mid-West cities—company-controlled as well as independent—have been giving secret discounts and rebates, handing out premiums, splitting penny profits with the consumer, buying gallonage in a desperate attempt to get a larger share of a shrinking market.

In some places, the practice became so obvious that anyone who paid the posted price without question was just a stranger in town.

Finally, Standard of Indiana, one of the principal operators in the territory, brought the whole business out into the open, announced "a new merchandising policy" whereby customers buying 100 gallons or more a month could get a 2¢ discount on Red Crown Ethyl and Standard Red Crown and a 1¢ cut on Stanolind, the third grade.

Customers must sign contracts (out of deference to the Code of Ethics) and will then receive identification cards entitling them to sales slips at the time of purchase which will be good for refunds at the end of the month.

Texaco, Continental, Barnsdall, White Star, and Skelly are among those who followed Standard in granting the discount, setting a minimum, and making a rebate at the end of the month.

Shell, Sinclair, Cities Service, Pure Oil, and Phillips decided to allow the discount at the pump, relying on the promise of the purchaser to take the minimum or be billed for the difference. It is doubtful, incidentally, whether many customers will be sued for payment of these bills.

Other companies, completely realistic, met the open discount with a direct and even more open price cut, uncloaked by any little formalities of ticket-punching or rebate-checking.

In Detroit, the situation has a special twist, due to activities of Mr. Charles E. Austin, president of Sunny Service (*BW—Dec2'31*) which has the avowed purpose of underselling all competitors. This one-time real estate operator credits the success of his cut-price policy to picking strategic locations for stations, keeping overhead low. Much of the credit, however, belongs to Roumanian gasoline brought in by water, delivered

at a cost so low that it can take a tax and still show a profit.

Competing companies, after watching Sunny Service stations reach a total of 30, finally cut their prices to meet the Sunny Service special: 8 gallons of "Imported Zip" for 95¢.

Premiums With Gallonage

Not content with becoming a major, perhaps *the* major, retailer of gasoline in Detroit, Sunny Service has introduced premiums, long exiled from the industry. Glass salad plates, pie plates, other glass tableware, are given free with 7 gallons of gas or an oil change. And Camels, Luckies, Chesterfields and Old Golds are featured as loss leaders at 2-for-a-quarter.

Discounts are just another complication in Detroit. White Star started things by offering a 2¢ rebate to all who bought 25 gallons a month. Tickets punched at the time of purchase are payable at the end of the month.

Sun Oil met this offer with a better one: Sun customers need not wait until the end of the month for their rebate, they would get a discount at the time of purchase. Anybody who bought 5 gallons and promised to buy 25 more was eligible.

Other sections of the country have not as yet been contaminated, but rising supply and falling consumption (*BW—Aug31'32*) are still forces working against a stable price structure.

According to one oil man, the discount is "a kick in the pants" for the Code of Ethics which ruled quite definitely that "No oil or other thing of value shall be given away."

Likewise, it said, "Retailers shall conspicuously post prices . . . no seller shall make any deviation from his posted prices . . . by means of rebates, allowances, bonuses, concessions, benefits, unusual credits, scrip books, or any plan, device, or other scheme which may directly or indirectly permit the buyer to obtain gasoline at a lower net cost."

There's An Out

Which lawyer-language is plain enough. For some companies, however, there is an out: "Commercial accounts . . . may be recognized as an exception to this rule in sections where they are now in vogue, but shall apply only to written contracts for charge accounts."

Legal or otherwise, the system is hard to stop. Making an honest practice out of the discount hasn't changed its effect on oil marketing. It is now, as it was in secret, a price cut plain and simple.

As for the Code of Ethics, what was left of that document when the Federal Trade Commission got through with it is apparently just another noble experiment.

Relieved of the false security which it brought, the industry may really turn its attention to the practices of marketing and the principles underlying establishment of a stable price structure.

Back of the immediate situation is a problem of marketing complicated by the times. These days, motorists will pass ten "service" stations with free air, free windshield wiping, free maps, and free comfort service to save a dime at a cut-rate station selling plain gasoline.

Real responsibility rests on the spread between wholesale and retail prices, made necessary by super-service, which permits splitting even small profits.

American Tobacco Has Given Consignment Selling a Big Hand

System now extended into field of semi-perishable merchandise claims other new recruits

ANNOUNCEMENT that American Tobacco Co. is going to distribute its high-grade cigar lines on consignment (*BW—Sep7'32*) has aroused wide interest among proponents of price control and selective selling. For one reason, this represents the first large-scale attempt to apply that type of marketing to semi-perishable merchandise.

In consignment selling carried all the way through to the consumer the manufacturer retains full title to his products until they have left the dealers' hands. Technically the various links along the chain of distribution merely act as his agents, subject to his policies on handling and pricing his products, and taking their profit as a commission on sales.

Benefits claimed: A manufacturer selling on consignment can make sure that his products reach the ultimate consumer in prime condition, at a uniform price and through wholesale and retail outlets that have proven their ability to serve the public in accordance with whatever standards he sets up. He can execute selling campaigns to better advantage. He can immediately withdraw his lines from any dealer who fails to give complete cooperation or becomes disgruntled and threatens to develop into a disturber.

Objections cited: The plan imposes on the manufacturer added burdens in the way of increased investment in finished stock, complicated accounting systems, more direct responsibility for consumer sales. Distributors may not put the same effort behind consigned goods that they would devote to stock in which their own money was invested.

Manufacturers who have adopted and stuck to a consignment system feel that this last contention doesn't hold water and that the other objections are offset by the advantages.

Most notable example of consignment marketing is that encountered in the sale of Mazda lamps, where it has been successfully employed for more than a decade. Carefully prepared and rigidly enforced consignment schedules receive credit for production and distribution economies which have helped largely to push down retail lamp prices—from 40¢ to 10¢ on the smaller-sized bulbs. Latest adherent to consignment selling in the electrical industry is Tung-Sol Radio Tubes, Inc., which now distributes its lines of radio tubes entirely through selected wholesale and retail agents, retaining ownership of them until they pass into the consumers' hands.

Stops With Wholesaler

Hinze Ambrosia, Inc., manufacturing cosmetics, has recently followed its competitor, Coty, Inc., with a consignment plan which stops with the wholesaler. This company feels that such a limitation cuts out considerable bookkeeping, otherwise necessary, and that, as owner of the stocks from which the wholesaler must make his deliveries, it can exert sufficient control over further distribution.

American Tobacco Co. will encounter special problems in its extension of consignment marketing into the field of semi-perishable merchandise. The higher-priced cigars covered by its new departure call for expert handling and storage under carefully controlled humidification all the way to the consumer. Depreciation and spoilage are constant risks. To meet them, its consignment contracts include special clauses whereby its sales agents agree to share any losses due to carelessness.

Frigidaire Shoots $100 Model At Cheap Refrigerator Makers

PLAGUED by a dozen or 15 makers of refrigerators built to sell cheaply from department store outlets, the "big fellows" have attempted to cope with the problem in various ways. Most of them have put out a second line, as G-E's forthcoming Edison; nearly all have been forced to price reductions. Frigidaire now makes the boldest stroke of all; offers a Frigidaire, 4 cu.ft. rating, for $112 installed, plus freight, which is equivalent to $100 f.o.b. Dayton, in other words a cut in price of $30.

Raid on Price-Snipers

The advertising will hammer home the idea, "Why buy anything else when you can have a regular Frigidaire for $112?" General Motors executives believe they can take the low-income, or bargain-seeking, market away from the little price-snipers. Other sales strategists are not so sure; they predict that, while the new line should have some degree of success, its more immediate effect will be to hammer down prices on standard makes.

There are some 8 or 10 makers who have consistently held to quality standards. They service their refrigerators, and for that reason if no other want them to stand up and give good satisfaction. But a dozen or so assemblers have gone after the cheap market with considerable success. Refrigerators of about 4 cu.ft. capacity have been advertised in various cities as low as $60, and ranging from that to $90. Standard makes have cut prices in one way or another, but never have been able to put out a machine behind which they were willing to stand at less than $130, which was the low level established by Frigidaire a few months ago on its Moraine models.

All the research, promotion, market development has been paid for by the big makers. Kelvinator, Frigidaire, and General Electric have been spending some $18 millions a year in advertising; it is they who have taught the public to want mechanical refrigeration. The "nameless" makers, of course, have merely exploited this field ready-ploughed for them.

Frigidaire's new offering makes a great point of "Statoflex," its new insulation, composed of crinkled aluminum foil stretched tight on frames and separated by dead air pockets. With this construction, demonstrated to be highly efficient (*BW—Mar9'32*), Frigidaire claims one-quarter more food space for the same outside dimensions.

The Business Week

VACUUM-TIMED IGNITION—*It times the motor according to load as well as speed, with a combination of centrifugal governor and vacuum-operated brake. Ford's V-8 has the system. Mallory makes it; General Plastics seals it and the new hot-spark coil in the non-metallic package*

The Boys, Too, Are Covering Their Knees

STYLES in boys' clothing change slowly, but they do change. Manufacturers and retailers are beginning to wonder whether the popularity of knickers is weakening, whether long trousers for youngsters will succeed them.

New York's clothing trade is divided on the subject. One sect declares that there is definitely a turn to "longies." The theory is supported by reference to the unmistakeable drop in last season's sale of plus fours and knickers for men. Will boys follow their elders?

An official of the New York Knee Pants Contractors Assn. says that a growing trend toward longies is proven by a slackness in his field caused by the shifting of orders on small-size long trousers to shops making students' and young men's garments. The opposing camp denies all this, declares longies failed to go over in the big cities last season, hints that all the noise is raised by persons with overstocks.

Women Shoppers Like New Non-Run Hosiery

NON-RUN hose are taking hold of the market. Fairly sheer, similar to mesh, and selling at $1.35, feminine shoppers are taking them up, and retailers are placing large orders ahead.

Introduced by the Berkshire Knitting Mills, non-run hose are also being made under the same patent by Apex and Schuylkill at Philadelphia and Reading.

The Gotham Silk Hosiery Co. has rights on another patent, is already in production, is selling with a promise to indemnity purchasers against lawsuits.

It is expected that by Sept. 10 the non-run hosiery will be in fair production, increasing to large-scale output by Oct. 1.

Pineapple Growers Drop Their Troubles in a Pool

IRKED by overproduction and kindred ailments, Hawaii's pineapple growers and canners have got together, are go-

ing to see if something can't be done about it. Their instrument is the newly-formed Pineapple Producers Cooperative Association. Membership includes the Hawaiian Pineapple Co., California Packing Corp., Libby, McNeill & Libby, Haiku Pineapple Co., Hawaiian Canneries, Kawai Pineapple Co., Baldwin Packers. Headquarters will be Honolulu; marketing from San Francisco.

Excluding certain items, the association will handle the production of each member. Direct price control is avoided but provision is made to limit the pack so as to avoid the surpluses which have plagued the industry. As a result, this year's output will be cut to 5 million cases. (Last year it was nearly 13 million.) Plans include coordinated advertising and study of means for expanding pineapple consumption. The membership believes supply and demand can be balanced without entanassociation in the meshes of the law.

Maybe a Few More Patents Are What Washing Machines Need

WASHING-MACHINE manufacturers, that is to say the 6 or 8 larger ones, show little enough excitement over the granting of a patent to the Maytag Co. on the principle of bottom agitation—the patent covering the almost universally used principle of cleaning clothes by agitating the water instead of by tumbling or rubbing the clothes against parts of the machine. Maytag has sent notice to other manufacturers that it will expect royalties. There seems to have been little response.

Cross-Licensing Welcome

The industry would welcome issuance of 3 or 4 patents, covering all the basic principles of design. It would hope then that through a cross-licensing arrangement something could be done toward keeping the business in strong hands and barring the "snipers" who have been destroying prices by making machines to meet a price dictated by mail order houses and department stores. The swinging wringer patent is basic and strong, and it has kept some companies out of the field. But it is not enough to accomplish the purpose. The industry in general doubts if the Maytag patent will help much, either. Leading manufacturers would not like to pin their whole price policy on the bottom agitation patent and then see it smashed in court. Issuance of this particular patent was held up for 10 years on notice of interference filed by Altorfer Bros., makers of the A.B.C. washer. There is some reason to believe opposition eventually was withdrawn so that the patent could issue, and the situation be cleared up.

There are about 25 small manufacturers. Some of them are conservative, regional affairs, well-managed and strong. The rest are makers of cheap machines, built to a price. They have produced a mail order washer that has been selling for $39.75. The result of this has been to hammer down prices of better machines. A common price for a good washer used to be close to $150; now ruling prices run $60 to $100.

The electric washing machine is 25 years old. In a good year, it sells to the tune of a million units. Last year, sales were 800,000 units; this year they will be perhaps 600,000. Major sales are and always have been in the Corn Belt. The industrial, apartment house population of the East never has taken to the home laundry idea like the West. Eastern commercial laundries may have done the better selling job.

Such washing machines as are being sold now, it is interesting to note, are going into "white collar" homes. The inference is that on reduced incomes the thrift of home washing is appealing to a class that up to now would not listen to the washing-machine salesman.

"Give-Away" Bread Rouses Bakers' Ire

BREAD price wars, which have raged with varying intensity all over the country, have reached a disastrous limit in Southern California. So serious has the situation grown that the Associated Bakers of Southern California have appealed to state authorities. Petitioners declare secret rebates are being employed, that merciless price-cutting will result in wholesale failures unless officials act. The district attorney is requested to bring suits under a law which forbids the selling of a commodity cheaper in one part of a city than another, if the object is to cut competition.

The association begs Governor Rolph for a committee to investigate. It charges that "large bakery concerns whose principal stockholders are outside the state of California are selling bread in Los Angeles city so that the 1-pound loaf is retailing for 2¢, at other places 3-pound loaves go at 10¢, and at some stores 2-pound loaves are selling for 5¢. In fact, bread is being given away with a bottle of catsup or some other article of food."

Wide World

IDLENESS BREEDS WORK—*Laid-off employees of a New Jersey foundry began pitching quoits. The game caught on, spread beyond local popularity. Now the foundry is busy again casting the iron rings*

Fall of Chilean Nitrate Echoes Throughout Fertilizer Market

Price drop will test its power to regain lead lost to sulphate, may upset domestic industry

TIMING the move to hit the season when American fertilizer manufacturers will be purchasing raw materials, Chilean nitrate producers have cut the price of their product $11, making it $22.40 a ton in bulk. After a year in which America upset well-established preferences and switched to sulphate of ammonia, sodium nitrate is brought down to a competing level. Sulphate was recently advanced to $20 a ton from $16 and $17.

Stocks of nitrate in the United States are estimated at 300,000 long tons, which is more than a year's requirements at present rates of fertilizer consumption. Bank loans have been made on these stocks, on the basis of $30 to $40 prices. Use of fertilizers has dropped sharply; farmers have not had the money to treat their fields properly. Total use of nitrogen from all sources was estimated to be off 40% for 1931. Sulphate sales, incidentally, were down only 10% to 15%.

Sulphate's Gain, in Figures

For 6 months of this year, imports of nitrate were 44,954 tons; of sulphate, 165,441 tons. For the same period, 1931, the figures were 365,000 tons of nitrate, 34,000 tons of sulphate.

The two raw materials are, roughly speaking, interchangeable. The American farmer, influenced by consistent and persistent advertising, has been willing to pay some premium for the natural nitrate. But he was not willing to pay 100% premium, as last year's sales figures showed.

It is an interesting question now whether or not Chilean nitrate has permanently lost its market here. Agronomists say that, strictly speaking, there are certain soils in which nitrate is better, certain soils in which ammonium sulphate is to be preferred. But for general use the competing materials probably should sell on the basis of nitrogen content. In that case, sulphate, with 25% more nitrogen content than sodium nitrate (21.2% against 16.5%) really should command the higher price.

Any such drastic readjustment of nitrate prices has repercussions in many quarters. It profoundly affects the financial condition of Chile, for one thing. Chile needs cash. Undoubtedly the decision to cut prices to a competitive level is partly inspired by this fact. The financial position of Cosach, the Guggenheim-Chilean government monopoly struggling under heavy fixed debts and poor sales, is a part of the same picture. Rumors have been current that Cosach has just effected some agreement with British investors which will lighten its interest charges.

The American Industry

Another effect to be considered is the probable shock to the domestic industry. The principal American producer of air-fixation nitrogen is Allied Chemical, at its Hopewell, Va., plant, now in production. If any part of the price of nitrate is to be interest on plant investment, American producers cannot meet a $22 price; it is likely direct production costs are above that. Yet a domestic nitrate industry is regarded as highly important in any scheme of national defense.

While all this is going on in the nitrate field, the ammonium producers are busy making representations to Washington that foreign interests have been guilty of dumping. They confidently expect an anti-dumping order. Any such outcome would strengthen the price of sulphate, and nitrate prices would tend to follow upward.

Coke Ovens Dark

In this country, ammonium sulphate is principally produced as a by-product from coke ovens. The most important synthetic ammonia producer is du Pont. Decline of the steel industry naturally has reduced domestic production, which was another factor that stepped up imports. Sulphate of ammonia, as a by-product, probably yields a profit even somewhat below present prices. But whatever the market price, coke ovens always have felt they had to recover the ammonia and sell it, in order to dispose of it. It could not be dumped into streams, for example. Recently a process has been devised whereby it can be disposed of cheaply and inoffensively, whenever the market price involves a loss to the producer.

And finally, the cut in Chilean prices is taken here to mean that Chile is satisfied with the prospects for agreement at the next meeting that is to put the final touches on the world nitrate cartel. It is inferred also that the United States, under the cartel agreement, is to be left a free market, with none of the foreign producers restricted in quota on American sales.

Moreover, it seems even more obvious that nitrate prices everywhere will correspond to the new quotation in the United States—allowing of course, for differences in freight and tariff, if any.

5 Companies Producing Quicksilver in Arkansas

IN the 2 years since geologists discovered quicksilver deposits in Arkansas, prospecting has spread over a 20-mile stretch and 5 companies have been set up to refine ore. Industry is pleased with newly issued development reports.

Arkansas Quicksilver Co., at Prescott, has installed a 2-tube retort and reports an average yield of 1.99% refined ore. By the end of May, average daily yield was running from 40 lb. to 60 lb. of metal. First bulk shipment of Arkansas quicksilver left Prescott in April, included 25 flasks. The other 4 companies report metal yields varying from 0.25% to 2.84%.

Commercial value of the deposits cannot be known until more experimental work has been concluded. Pioneers are hopeful. So are quicksilver consuming industries. Domestic users always have been dependent on supplies from the European cartel.

To Conduct Magazine Without Advertising

OFTEN discussed, but as yet not widely practiced, is a new theory in the publishing business which envisions the sale of the editorial comment in a magazine entirely as a service and wholly independent of advertising revenue. In other words, asking the reader to pay for what he gets.

Seventeen years old, *The Purchasing Agent* has embarked on this new policy. Existing advertising contracts will run until they expire. No new contracts will be accepted. The subscription price will be jumped substantially, for in the future it will carry the entire expense of the magazine. The magazine in its new form will be called *Purchasing*.

The slump in advertising in the last

two years has no doubt hastened the move which publishers have long pondered. Advertisers wonder how far it will spread. So do subscribers who foresee much higher prices for their magazines. Trade publications are more inclined to accept the new plan philosophically because they have long leaned toward the "service" idea.

The new policy is reported to be popular with purchasing agents who, indeed, are said to have inspired it.

Farm Electrification Makes Progress—But More Slowly

WHILE every year puts more farmers on an electrical standard of living, recent years have seen a slowing down in the rate of that farm electrification on which the power industry has been counting so heavily for future expansion. A recent survey by the National Electric Light Association discloses that, though the number of farms served by power lines rose from 177,561 in 1923 to 702,963 at the end of last April, the annual rate of increase has slipped off since 1928—along with the farmer's earning rate. Utilities authorities believe that future efforts must be devoted to the development of a more intensive use of electrical energy in rural regions rather than to extensions into untapped new-customer areas.

The above totals relate only to farms served by power lines. Census Bureau figures indicate the number which have small power plants of their own. The bureau estimates that in all 845,356 farms, 13.5% of the U. S. total, had electric service as of April, 1930. Of these, 249,342 had individual plants, the rest buying power from company wire. By the middle of 1932 there were about 1 million farms with power of both types, and another 1 million rural power customers outside incorporated cities and villages.

California Leads

California leads in the number of electrified farms (86,548), and in the percentage of farms so served (63.8%). Next to California in number of wired farms are: New York, Ohio, Pennsylvania, Wisconsin, Washington, Michigan, Iowa, Illinois, Indiana. Besides California, 5 states have over 50% of farms with electric service: Rhode Island, Utah, Massachusetts, Connecticut, Washington.

Interesting is the comparison of the increase in number of farm customers and its relation to current used from 1930 to 1931. In the Eastern area there was a rise of 9.3% in customers with an increase of 15.8% in kilowatt hours consumed; in the Western area increases were 3.3% in consumer numbers, 2.7% in consumption. Perhaps the reason for the smaller ratio of consumption increase in the Western district was that most of the connections are really farm homes hit by poor prices in food commodities, while the Eastern increase might be due to city people who are moving into the country.

Progress has its problems. A troublesome question is the high cost of carrying posts and wires to farm houses that may only want the current for light. The farmer rises early and follows the chickens to bed; he and his family burn few midnight kilowatts. It takes such customers a long, long time to pay for installations. How should these extensions be financed?

This question has just been brought to a head in New York by an order of the Public Service Commission which directs the New York State Electric & Gas Corp. to furnish rural line service to 300 farmers in 16 counties who have applied for connections and complied with the company's requirements. Complaints caused the commission to investigate. Groups which had sought service under the plan filed by the company were refused on the grounds that failure of the commission to authorize necessary capitalization prevented line extensions.

The commission ruled that the corporation failed to show lack of funds. A substitute schedule filed recently by the company required customers to advance $1,600 a mile for new rural lines, the company refunding this amount at the rate of 50% of revenue received from these customers until the total was retired. This schedule was suspended by the commission; evidence indicated that with farm prices what they are, the company was better able to furnish its rural extensions than were its prospective customers.

Power Board Boldly Tries For Holding Company Control

HOLDING companies escape state utility commission control; they are not operators. They defy federal control; they are not engaged in interstate commerce. The dilemma annoys both sets of regulatory bodies. In the railroad field, the I.C.C. has been particularly outspoken in criticism and in demands for fuller authority.

The Federal Power Commission goes a step farther; it has asserted its jurisdiction.

Clarion River Power Co. is a licensee of the federal authority. It sold out to the Pennsylvania Electric Co., which is not a licensee. The Power Commission doubts the sale was above board, asks whether the deal was not framed for the principal purpose of impairing or destroying the value of $4,453,000 Clarion River preferred. Declaring its function includes doing "everything within its power to protect the financial health" of its licensees, the commission demands a full report, and orders the two companies to issue no further securities without its approval.

Pennsylvania Electric is one of the Associated Gas & Electric group. The holding company is expected to resist federal orders and seek early court decision on a point of the utmost importance to the utilities.

Situation Needs Clearing

"This situation serves to indicate the unsatisfactory status of our system of utility regulation," says *Electrical World*. "Heretofore federal jurisdiction has been assumed to extend only to hydro-electric companies operating under license from the Federal Power Commission, which represent a small part of the country's total installed power capacity; but if one such plant in a large system subjects the whole system to partial or complete federal control, the fact should be established quickly. The Federal Power Commission's assumption of such authority therefore is highly desirable. With that point cleared up, the country can proceed toward a proper integration of state and federal control, which will fill in the gaps in our present haphazard system."

Halbran

THE WHIRLIES—*Disc movie film, particularly useful for continuous projection as in advertising. Projector will automatically repeat, if desired; can be run indefinitely without breaking the film*

Laundrymen Are Learning How To Ride the Wash Suit Boom

INCREASED sales of men's wash suits were a bright spot in the dull summer season just closed (*BW—Aug24'32*). Now that the initial difficulty of introducing linen, seersucker, and other cotton suits in new territory has been surmounted, an even larger business is expected next year. Here is an opportunity which the Laundryowners National Association is urging its members to capitalize. Through research at its model Joliet, Ill., plant the association is coaching laundries in cooperating with retailers to increase sales, in adopting methods that will freshen suits without destroying their shape, in promoting the volume necessary for sustained profit.

A service bulletin advises the laundry-owner to join the retailer in advertising campaigns, to urge the use of cards by retailers advising purchasers to send their suits to laundries which specialize in the handling of such garments. Male employees, especially delivery men, are advised to wear fresh-looking wash suits on and off the job. Phone girls should be armed with complete information for intelligent answers to inquiries. The association's department of merchandising will help work out special problems.

With wash suits, it isn't the original cost—it's the upkeep. Inept washing at $1 or more per laundry-visit, may spoil the looks of the suit, is certain to irk the owner and un-convert him. Therefore, while the laundry is boosting the sale of these suits, it must perfect its technique in handling them. Successful processes of Southern laundries are analyzed for the benefit of their Yankee cousins.

Laundries are often blamed for the sins of textile and suit manufacturers. Fabrics may not have been properly preshrunk. Colored threads, pockets, etc., often "bleed" and run. Linings, waistbands, wool collar-backing, improperly cut collars are apt to contract variously and make a misfit of a well-cut garment. Corroding metal buckles create rust stains.

The association gives elaborate directions for overcoming these faults. Manufacturers are advised to correct their handling of material and tailoring so that proper laundering will not be discounted. Clothing makers and laundries have a community of interest in the growing wash suit demand—an ounce of complaint-prevention applied at this juncture may be worth a ton of cure later on.

New Asbestos-Cement Pipe Has Varied Uses

TRANSITE is a compressed composite of asbestos fiber and portland cement which has been used industrially in coke plants. Recent experiments with pipes made of the material have been successful.

Research workers found that transite pipes make efficient water mains. Despite the fact they absorb water, they remain impermeable and, due to the smoothness of their walls, give a higher delivery capacity than steel. Also, they do not corrode.

In general, transite pipe can be laid in the soil without any further covering. It has a low heat conductivity and at the same time a high temperature resistance. It has been used successfully to convey liquids and gases up to 700 degrees Fahrenheit. In textile mills and dye and bleaching plants it is being used to carry solutions or water which must be free of rust.

Research and Invention Promote Salmon Sales

SALMON packers are interested in 2 developments they believe will help further popularize their product. Investigations by the U. S. Bureau of Fisheries indicate canned salmon contains 60% to 80% as much vitamin D as cod liver oil. The cod, it appears, stores its vitamin-bearing oil in the liver, and as derived therefrom it isn't considered a table relish. The salmon stores its oil (and vitamins) throughout its flesh.

Second development, invention of a skinning machine. Canners believe housewives may find salmon more attractive when it contains none of the dark skin. G. P. Halferty, Seattle, and W. S. Schlochtan, Ketchikan, Alaska, are the inventors.

Only Question on Rail Wages Is How Much Can They Be Cut

Labor may debate but the cold facts have already settled the issue for both sides

WHILE the railroad executives and the railroad unions continue to clothe a pathetically simple situation in the complex verbiage of high diplomacy—for the benefit of the public, or each other, or their own sense of importance—the railroad wage issue again comes up for the inevitable settlement. Busy readers of the endless columns of newspaper debate thereon will do well to cut through the statements and counter-statements to the solely significant fact that the only question still unsettled is how much more can the roads get out of wages than the 10% "deduction" which—at the end of a year—was to be restored next February, and quite obviously will not be. The best guess right now is that they won't get any more than an extension of the 10% and don't really expect any more.

Peaceful Agreement Likely

Any efforts they make to convert this "temporary" slash into a permanent scale reduction by basing their case on the decline in living costs, rather than on their own precarious financial condition, will be entirely beside the point. Labor will debate such cost figures to a fare-you-well and the settlement will be founded entirely on its convictions as to the railroads' necessities, plus some shrewd calculations on the public's reaction. There will be no strike and there is a fair chance that a decision will be reached by direct negotiation as it was last winter.

Meanwhile, the carriers may serve notice of action under the Railway Labor Law, so that—when and if a conference falls through—they will be well on their way through the 4-month period that may be required for settlement under that law. And their notice may include a bargaining demand for a 20% cut.

The Figures Unanswerable

The plain facts of the situation are that, however sound their concern about "sustaining national buying power," the unions can find nothing in railroad income statements since the February wage cut to justify their bland statements that they expect to see it wiped out according to schedule at the end of the year. They may even discover it none too easy to build up an overwhelming case against a further 5% cut, though there is a question whether the roads won't find public opinion on a further dip into their employees' pockets somewhat prejudiced by their bondholders' dips into R.F.C. coffers.

This time the carriers are unlikely to engage in the futilities of embroidering negotiations for a wage cut with descriptions of how the money can be used to create more jobs. Union leaders saved face in the last negotiations by playing up that part of the picture. Now they charge that the managements have laid off an additional 100,000 workers since last Feb. 1; that the 1,050,000 out of a normal 1,750,000 railroad men who still have jobs are mainly on part-time; that the Southwestern and Southeastern roads have woefully failed to cooperate in spreading work.

What the financial statements continue to show about the roads' dire need to cut costs provides sufficient comment on the probable issue of all their pretensions of, or honest efforts at, philanthropy. Until freights pick up a great deal more the best hope for relief in that direction lies in their doubtful willingness to create jobs by borrowing money for construction and repairs from the R.F.C. in line with the President's anxious urgings.

In the probability that negotiators from both sides must meet barehanded this time lies the possibility that, for the first time, a wage settlement involving the whole transportation system may be subjected to the processes of mediation and arbitration invoked by the Railway Labor Act. This would provide a safe way out for union leaders who may be politically disinclined to face the facts. Much depends on whether business indicators support a demand for something more than the inevitable 10%.

Tropical Airway Turns to Alaska

PAN AMERICAN AIRWAYS believes it is no trick at all to blow hot and cold on the same system. It plans to take to Alaska the methods of operation used effectively in the tropics.

Air transport has already proved its

The Business Week

REFRIGERATED L.C.L.—*Milwaukee Electric Railway, rapid transit line pioneer in container service, ingeniously mounts a Milwaukee hoist beneath a car so that containers can be snaked in and out cheaply and expeditiously. Now containers can be handled in closed cars, making refrigerator service possible for perishable shipments*

value in the far north, is particularly suited to Alaska, where a mere 1,000 miles of railroads and 1,500 miles of wagon roads are all that exist in a territory covering a half million square miles.

Pan American now operates 22,000 miles of airways serving the West Indies, Central and South America. According to plan, a wholly-owned subsidiary, Pacific Alaska Airways Corp., will take over the assets, business, mail contacts, and routes of Alaskan Airways, Inc.

Present schedules will be maintained or bettered. New lines will be added to the 2,500 miles now in operation as conditions permit. Pilots, mechanics, radio and traffic men are on the way north.

In Alaska, as in the Indies, Pan American faces great distances over open territory. Industries (fur, fish, lumber, gold and other mining) are scattered, towns widely separated. Distance is a bigger problem than traffic.

Territorial commerce with the U. S. totals $83 millions yearly; tourist traffic, comparatively undeveloped, is about 35,000 persons a year. Pan American believes adequate air transport will expand Alaskan travel now in the dog-sled stage, develop industries now isolated by weather and geography.

Intercoastal Lines Handicap Themselves So Congress Won't

URGED by the threat of government regulation if they failed to regulate themselves, the 15 principal intercoastal steamship lines have staved off for another 6 months the trade war that looked ominously near as the term of their previous temporary pact drew to a close on Aug. 31. Once able to reach the agreement that seemed impossible a few weeks ago, they succeeded in taking the further step of strengthening freight rates. First move was a raise in lumber rates from $10 to $10.50 per thousand feet from Pacific Coast ports to the Atlantic seaboard, effective in October. Other increases are expected to follow.

Handicaps Bring Dissension

Chief point of dissension has been the handicapping system. Some of the lines have faster ships than others; some boast a greater frequency of sailings. Under these conditions flat rates and an even split of available business were obviously impossible. Two years ago the old Intercoastal Steamship Conference fell apart under the impact of the competitive spirit on these sharp differences. Last year Congress began to take notice of the ensuing turmoil with the result that the operators found themselves under the shadow of the Copeland Bill calling for government regulation. However, there were intimations that this would be lifted if they could solve their own problems and a tentative agreement was hastily reached on Feb. 18 whereby the lines were divided into 3 groups with rate differentials favoring those having faster ships and more frequent sailings.

The new agreement cuts the groups down to 2 and allows the slower lines more sailings than the old one did. The faster lines—American-Hawaiian, Dollar, Luckenbach, Panama-Pacific, and Panama Mail—will add 2½¢ a hundred pounds to the basic tariffs on the handicap list of commodities. All lines will fix a surcharge on freight carried. This will be pooled with the larger shares of the pool going to the slower ones, that distribution being designed to equalize receipts and work for a reasonable curtailment on sailings. Approval of the Shipping Board is believed to be assured since it urged the agreement adopted by the conference last spring and holds mortgages on several of the ships involved.

Settlement of this problem does not clear up all the issues involved in the intercoastal rivalry or in Congressional debate on governmental control. The shipping men have still to quiet the dissension aroused by what the North Atlantic port lines call the encroachment of the Gulf operators. Cargoes that used to travel between the East and West Coast cities have recently been diverted to Gulf ports, brought to or taken from there by rail. Congress is still concerned about the competition of the privately owned industrial fleets on the intercoastal routes. So are some of the shipping men. Last spring, proposals for tight governmental regulation found strong supporters in the conference itself. Lately, however, the talk has died down and legislation in the next session of Congress is considered unlikely.

Bankers Cut Interest On Demand Deposits

BANKERS are jubilant over new evidence of a pronounced trend away from the payment of bank interest on demand deposits even if it must be credited to "the stress of economic circumstance" rather than to "a voluntary desire to reassert the banking philosophy of an earlier day." Reports from 244 clearing houses, summarized in the *American Bankers Association Journal* by Frank W. Simmonds, deputy manager of the association, show that members of 111 have entirely discontinued such interest, members of 33 more are paying not more than 1%. Most of the others have restricted interest payments by the adoption of rules for free balances, deduction of required reserves before the calculation of interest and minimum activity for accounts. The Pacific Coast has been more inclined to join in the movement than the East. Among banks still paying interest on demand deposits, the favorite minimum deposit requirement for interest was $1,000; next most popular, $5,000. One bank pays no interest below $50,000.

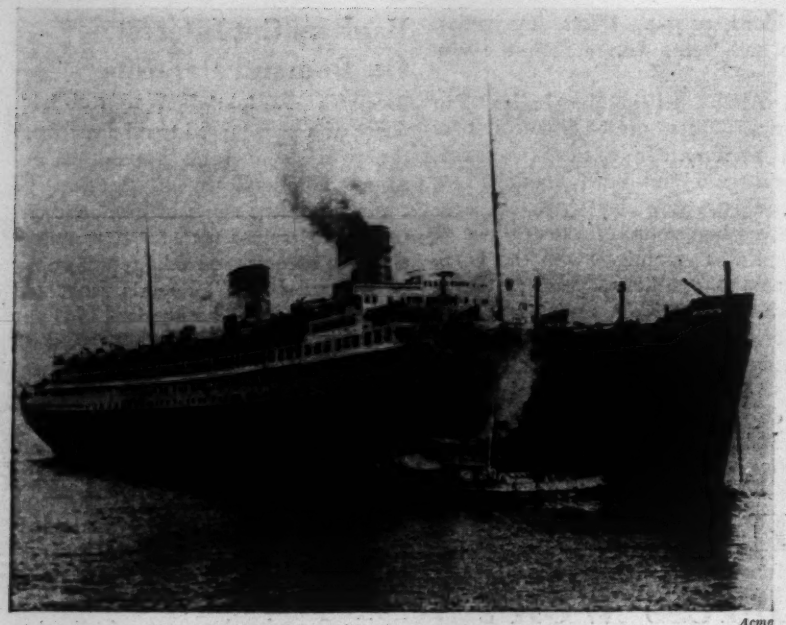
The trend on longer term deposits seems less encouraging to the bankers. Whereas members of the Federal Reserve system paid out 22.4% less interest on deposits last year than in 1930, the saving on time deposits was only 14%, as against 37.7% on demand deposits. Fear of driving money into the mutual savings banks has made them hesitate to cut savings rates. Averaging the clearing house reports, it appears that the banks are allowing customers 3.33% on savings deposits, 3.16% on time deposits. On deposits of other banks, the average is 1.81%.

As to the progress of banking cooperation on interest rates, the A.B.A. study shows that members of 135 of the 244 reporting clearing houses permit their interest rates to be governed by clearing house rule. Members of 22 more have other means of achieving joint action.

Oatmeal for Winter, Oat Flakes for Summer

OATS have long been familiar as a winter breakfast cereal. Manufacturers have decided to make a keener bid for summer business.

Purity Oats Co., Keokuk, Iowa, is now producing an oat-flake cereal, probably the first fully processed pure oat product on the market.



Acme

ITALY'S NEWEST—*The Rex, 54,000-ton super-liner, in combination with seaplane from Gibraltar, is to put New York and Genoa 6 days apart*

All the World's Fleets Are Drifting Into Government Hands

Depression conditions speed the transformation of maritime competition into national competition

WHEN swanky new liners sail for the first time into home port to be greeted by shrieking harbor craft and dipping flags, the glamorous side of shipping holds public attention. When traffic counts are made in a depression year, and idle tonnage is reported, the picture turns gloomy. Three very important problems in marine economy have pushed themselves ahead of all recent ship news. Atlantic fares are likely to be increased again because the increase in business on present low rates has not been large enough to make it profitable; shipping subsidies are being talked for some of the world's most important lines, actually announced for others; shippers in more than one country are talking wider rationalization through international agreements.

Gloom really began to spread when Washington made public its mid-year review of world shipping. More than 14 million gross tons of shipping were idle at the end of June, and that is 35% more than a year ago. The British had the largest volume of tied-up bottoms, but they had only 7% more than last year. The United States lagged only slightly behind in the number of tons not in use—3,425,000—but the increase in this country was 31%. Greatest shock is the 112% increase for Germany, and 78% for France.

Winter Fares

Everyone is concerned. The transatlantic conference is strongly hinting at increased fares for the winter season. The French, especially, are demanding it. They and the Germans were most reluctant to accept the 15% to 50% reductions that became effective last spring behind the initiative of the American lines. Winter travel in the transatlantic business is fairly steady and it is the contention of the lines that most people who cross will book no matter what the price. Therefore, they may as well charge at the old levels which will come at least a little nearer covering expenses.

No one knows yet just how effective the fare reduction has been in drawing summer trade. Hamburg-American asserts its boats carried 33% more passengers from New York to Europe during May and June than in the corresponding period last year. North German Lloyd says it had more passengers Europe-bound this season than last but refuses to tell how many. It was reported in Berlin headquarters, however, that, owing to lower rates, gross receipts were only 70% of last year's.

Perhaps no announcement was more spectacular than Germany's decision to come to the rescue of the shippers and of the unemployed with a $3 million scrapping subsidy with which nearly 400,000 tons, or 10%, of the German merchant fleet will be junked. It is estimated that the present price of scrap iron will just cover the cost of scrapping so that the $7.50 per ton which the government will pay will strengthen the financial resources of the companies.

Lloyd-Hapag Gets Most

Lloyd-Hapag will get the lion's share of this subsidy because it plans to scrap 200,000 tons of obsolete ships.

Government aid became a necessity in Germany earlier this year when the Lloyd-Hapag group was forced to ask for a government loan to meet maturing obligations. Berlin has already provided $19 millions to individual shipping companies. In the case of the larger operators, relief has been contingent on a promise to give up expansion for the time being, and complete earlier plans for full rationalization of their services.

Emergency relief is being discussed in other countries as well. Britain's shipping interests have been considering the necessity of calling on the government for a subsidy since almost all competitors are operating with government aid. Overbuilding already is being curbed by the National Shipbuilders Security group which was organized a number of years ago and which has taken over and dismantled 17 shipyards with an annual capacity of 634,000 tons.

French Subventions

France has come to the aid of the shipping business at home with a $4½ million loan to the French Line to meet a current deficit, and another $2¾ million advance for the completion of the super-*Ile-de-France*.

No more drastic measures have been taken in any country than in Italy, with the result that the merchant marine is in a strong position but only by virtue of government aid and government intervention. Most far-reaching of all Italian developments was the government-sponsored reorganization of all major Italian lines into 4 great services based on the geographic areas they serve.

Only the United Kingdom and the

Whatever the Load— Depend on Internationals!

MILK is the perfect food — the gift of Nature bountifully given. Every day of our lives we all need milk. If the old-fashioned milk pitcher were put back on the family table as a regular fixture the standards of health and energy would rise everywhere in the land.

A river of milk flows from the meadows to the homes in the cities and towns, carrying billions of gallons from the cow to the doorstep. The drama of milk production goes on through winter and summer, storm and shine. When the vital routine is broken, distress looks over the horizon.

In this great work of distribution, watch the International Trucks! An army of sturdy Internationals works for the dairy industry, hauling supplies for the dairy farm, speeding the milk to the bottling plants, shouldering a liberal share of the daily deliveries of thousands of retail city milk routes. This major industry has learned through years of experience that Internationals fill the bill, not only for absolutely dependable delivery of the perishable product but for *economy of operation.*

International Trucks have earned the confidence of owners and drivers in every line. Get acquainted with Internationals and let them cut *your* hauling costs. They will do it. Visit any of our Company-owned branches or an International Truck dealer. Or write us direct and we will send full information.

INTERNATIONAL

The Illustration shows the 1½-ton 4-speed Model A-2, *now reduced to*

$615

136-in. wheelbase chassis f. o. b. factory (taxes extra). Other sizes from ¾-ton to 7½-ton. International Company-owned branches at 188 points, and dealers everywhere.

INTERNATIONAL HARVESTER COMPANY
606 S. Michigan Ave. OF AMERICA (INCORPORATED) Chicago, Ill.

INTERNATIONAL TRUCKS

MR. ATWOOD thought they —*until* MRS.

A modern tile kitchen. They paid $10.00 down.

J-M Asbestos Wainscoting, the new, permanent, colorful wall material having all the advantages of tile but which can be applied quickly in sheet form by any good carpenter.

This Recreation Room cost only $8.00 down.

J-M Insulating Board—ideal for finishing attics, storage or playrooms—is a homogeneous, all-wood fibre board, combining strength with rigidity and high insulating value.

SHE—"John, that lovely, colorful roof makes this house look brand-new."
HE—"The fact that it is permanent and fireproof means more to me."

Genuine Asbestos Shingle roof—$19.50 down.

J-M Asbestos Shingles are the *ideal* roofing material—permanent, fireproof, colorful. No J-M Asbestos Shingle has *ever* worn out. Available in a wide range of colors, styles and prices.

PERHAPS you planned to build this year and now find you can't afford it. Perhaps you had rejected *even* remodeling as being too expensive. In *any case*, Johns-Manville has a plan that should appeal to you. A plan that covers only a few important home improvements, making them possible now—in whole or in part—*at minimum cost.*

Because of the convenient Johns-Manville Deferred Payment Plan, Mr. and Mrs. Atwood invested only $62.20 down. What did they get?

They covered the unsightly plaster in the bathroom and kitchen with new, permanent, colorful walls of J-M Asbestos Wainscoting.

They quickly converted wasted basement space into an attractive recreation room by using J-M Insulating Board.

They exchanged high fuel bills in the winter for definite economy in heating—hot rooms in the summer for real indoor comfort—all by means of J-M Home Insulation.

And, in addition, they reroofed for the last time with J-M Asbestos Shingles—permanent, fireproof, maintenance free, adding real color and charm to the appearance of their house.

• • •

Perhaps your home does not need all these improvements to make it more livable, more modern. Perhaps it needs more. But, in any case, fill out and mail the attached coupon. We'll arrange to have your local J-M Dealer give you all the details of this new plan. He'll be glad to submit an estimate without any obligation to you.

And be assured, with the low prices on J-M materials, the liberal Deferred Payment arrangement, plus the facilities and skill of the trained Johns-Manville contractors, that here is a *sensible* modernization plan that will *work wonders* with your home at a minimum investment.

couldn't afford it either

ATWOOD *proved what* $62.20 *would do*

Here's real news for HOME OWNERS *who haven't much money to spend this year. Now*—for a very modest sum—*your local* J-M *Dealer can make* your *home more modern . . . more attractive . . . more comfortable . . . cooler in the summer . . . far cheaper to heat in winter*

SHE—"Just think, dear, how cool the house will be this summer."
HE—"I was thinking about how much cheaper it will be to heat this winter."

Insulated against heat and cold—$18.20 down.
J-M Home Insulation cuts fuel bills 35% to 50%—makes rooms 8° to 15° cooler in the summer. A thick insulation, three to four inches of "rock wool"; permanent, vermin-proof, rot-proof, odorless, *fireproof.*

Colorful, tile-like bathroom walls—$6.50 down.
J-M Asbestos Wainscoting will stand up under the most trying household conditions. Its attractive surface is easily and quickly cleaned—colorful and permanent.

*Estimate for modernizing the home of *Mr. and Mrs. A. T. Atwood, C_____, N. Y.*

under the J-M Plan

	Down Payment
KITCHEN—13′ x 10′—J-M Wainscoting. Cost $112.00 .	$10.00
RECREATION ROOM—1100 sq. ft. J-M Insulating Board. Cost $92.00	8.00
NEW ROOF—J-M Asbestos Shingles (Dutch Lap). 13 squares. Cost $226.50 . . .	19.50
INSULATION—J-M Type A—blown between attic floor and second floor ceiling. 943 sq. ft. Cost $198.38	18.20
BATHROOM—5′ x 8′—J-M Wainscoting. Cost $77.00 .	6.50
Total down payment	$62.20

*(Naturally these costs may vary slightly depending on labor costs in various localities. The local J-M Dealer will gladly estimate your modernization needs.)

Johns-Manville

JM PRODUCTS

Controls
HEAT, COLD, SOUND, MOTION
Protects against
FIRE AND WEATHER

JOHNS-MANVILLE, 292 Madison Ave., New York City

Please tell me more about the new J-M Home Modernization Plan. I'm particularly interested in ☐ J-M Wainscoting ☐ J-M Reroofing ☐ J-M Home Insulation ☐ New Rooms with J-M Insulating Board. BW9-14

Name_____

Address_____

City_____ State_____

United States are building more tonnage this year than Italy. Outstanding additions to the Italian merchant fleet are the *Rex,* soon to make its maiden voyage to New York, and the *Conte di Savoia,* de luxe passenger liner with its giant Sperry gyroscopic stabilizer.

Big Italian Subsidies

To keep Mussolini's fleet up to the high standard which he has set, the Italian government has recently granted a system of navigation bounties to cargo ships not on regular routes. More than $3½ millions have been allotted this year. And to keep ships up-to-date, the government has passed a scrapping law allowing $1.32 a ton up to a total of 200,000 tons.

More striking only than the German announcement, is the report from Japan last week that ship owners in that country are planning to form a shipping control joint stock company with the idea of financing among themselves the tying up of 800,000 tons of idle Japanese vessels. There is also a request that the government grant a $2½-a-ton scrapping fee on vessels from 20 to 25 years old.

Sad as it is, this does not complete the list of woes among international shippers. Spain has withdrawn support of the Spanish service to New York, is attempting to work out a reorganization of the country's entire shipping industry. Scandinavian countries report vast numbers of idle ships in every port. Chile has had to merge all coastal services. Greece is talking rationalization. And Washington recently announced that the Shipping Board was planning the scrapping of 124 old laid-up ships, a total of 1,054,000 tons.

Cooperative Suggestions

Out of the muddle have come, recently, at least 2 important suggestions that shippers need to get together on more than a national scale. Emmett J. McCormack, president of Moore & McCormack, big American steamship operators, recently proposed to the Maritime Association of the Port of New York that a committee of American shipping leaders be named to study conditions in shipping and recommend means to eliminate harmful and useless competition. The plan might go so far as to bring about an international shipping cartel to allocate tonnage in certain services, control the building of new ships, and generally to bring about better conditions. Britain's important Chamber of Shipping has considered a comparable proposal. The Baltic and International Maritime Conference are discussing wider cooperation.

Governments watch their merchant marines with a careful eye because each ship is a potential part of a navy in time of war. When new vessels surpass current shipping needs, there is a cry from owners of obsolete boats for a scrapping bounty which will help to finance replacement. When business depression lowers the demand for bottoms, more vessels are piled up in the obsolete class. The world is going to come out of the present depression with a spanking new merchant fleet. Government subsidies are making most of the new liners possible. Government subsidies are likely to play an even more essential part in future shipping business than they have in the past.

Treasury Postpones Conversion But Paves Way for It Later

In spite of the enthusiasm for debt conversion which has developed in England, France, and Italy since the success of the vast British war loan refunding operation, our Treasury has decided not to attempt to cut interest costs on its long-term debt in this way just yet. About half a billion worth of First Liberty Loan bonds bearing a 4¼% rate are callable this year, and the Treasury let go the last opportunity to do so (with the required 3 months' notice) when the Sept. 15 financing announcement came and went this week with no mention of refunding. About $1,400 millions of First Liberty 3½% bonds outstanding are likewise callable Dec. 15 on 3 months' notice, but with prevailing money market conditions it was understood that there is no incentive to refund these at this time. Next year the really important opportunity for a refunding operation comparable to the British war-loan conversion will arise when the Fourth Liberty 4¼% bond issue of about $6¼ billions becomes redeemable.

Reasons for Postponement

The Treasury is probably compelled to postpone refunding efforts at this time because of the uncertain fiscal demands of the Administration's recovery program, and of the uncertain yield of the new Revenue Act. For the Sept. 15 financing it had to content itself with offering $750 millions in 5-year 3¼% notes and $400 millions of 1-year certificates at 1¼%. This will cover maturing short-term securities amounting to about $700 millions and provide about $250 millions that may be needed for the R.F.C. and $125 millions for the capital subscription to the Home Loan Banks. Secretary Mills is also expected soon to authorize some expenditure for public construction out of the $300 millions appropriated for this purpose in the Relief Act. This new financing will mean a net addition of about $400 millions to the public debt. The additional borrowings, however, are being used mainly for R.F.C. and other capital uses which presumably will be repaid.

Although the fiscal requirements of the Administration's recovery program preclude for the present any such spectacular conversion operations as recently stimulated British business sentiment, the Sept. 15 offer of 5-year notes to refund shorter-term securities is an encouraging indication that the Treasury is trying to make some headway against the large volume of short-term floating debt and is gradually shifting it into longer term paper. This does not save the Treasury any money—rather the reverse, but it puts the federal finances in more manageable shape. The great mass of floating debt outstanding in the form of certificates and bills is an obstacle to any large-scale conversion scheme that may be considered when business recovery is farther advanced, and in so far as the Treasury succeeds in cleaning it up in this way, refunding of the long-term debt will be facilitated.

Cities Get More Water Through Deforestation

Deforestation causes floods, as conservationists are always pointing out. Equally, deforestation increases water flow from city watersheds. Trees, their roots, the moist forest earth beneath them, retain water like a sponge; give it up slowly, steadily. Where there are no dams or control works, this is a protection. But trees likewise use vast quantities of water for growth.

Deforestation caused an increase of 15.3%, 6-year average, on the Wagonwheel, Colo., shed and 28.7% on Fish Creek, Calif.

Engineers are studying the possibility of planting watersheds with vegetation that will not use so much water.

The world's wisest customer; *an advertising problem*

How a small advertising campaign, carefully handled, sells this hard customer his most important "purchase"... his future CAREER

It requires little money to advertise in the college periodicals.

It requires much creative dexterity, however, to interest these skeptical readers. At Newell-Emmett, we believe in applying to small campaigns the time and effort that their objectives deserve, without regard to the cost of the space.

The Western Electric college advertising is a good example of our policy "Not how much, but how well."

For twelve years it has been appearing in the college press with the objective of making a career in the telephone manufacturing industry attractive to desirable college men. This advertising "job" is not as simple as it may sound. It calls for tact, understanding and a sustained effort to keep abreast with the ever changing mental gymnastics of youth.

This is a small part of our service to Western Electric, but it is handled just as carefully as any of that company's major advertising problems.

NEWELL-EMMETT COMPANY

ADVERTISING COUNSEL / "NOT HOW MUCH, BUT HOW WELL" / 40 EAST 34th ST., NEW YORK

Germany Mortgages the Future To Subsidize the Present

Von Papen's bet on recovery moves Germany even nearer state socialism with its subsidies

EUROPEAN NEWS BUREAU—Two strikingly significant developments have come out of Germany during the week. The first, and by far the more important, is the so-called "von Papen economy program" (*BW—Sep7'32*), made a decree by the ageing German President this week. The second is the decree drastically raising tariffs on a long list of German imports, many of which have been supplied in fair volume by the United States.

Outstanding features of the economy decree are the plans for subsidizing industry through the refund of taxes, straight subsidizing of new employment, an increase in the public works program for this winter, adjustment of wages and hours so as to spread what employment there is, and an increase in the aid to communes to carry out projects which will absorb the jobless.

Von Papen has devised an ingenious scheme to help finance business without resorting to an outright loan through a bond issue. Beginning Oct. 1, as taxes are paid, industry will receive a refund in the form of tax credit certificates. This refund will cover as much as 100% of the transportation tax, 50% of the turnover tax, 40% of the "trade" tax, and 25% of the real estate tax. There will be no refunds on the income tax.

Credit Certificate Discountable

These credit certificates will bear a 4% premium, and are discountable at the Reichsbank. Really negotiable treasury notes, they can be used to pay all taxes and excises, excepting only the income and corporation taxes, during the fiscal years 1934 to 1938. On the basis of the present yield of the various taxes, it is expected that the treasury will distribute such certificates to the amount of nearly $360 millions. By selling them, industrial concerns will be able to obtain fresh capital for repairs and renovation of equipment.

Von Papen also proposes to distribute similar certificates representing approximately $170 millions as a premium for re-employment of labor. Manufacturers who undertake to add employees will receive certificates at the ratio of about $24 for every additional workman engaged. This per capita amount represents roughly what the state (including the communes) is spending in relief on every unemployed. Like all other "anticipation certificates," these notes can be used for the payment of taxes in 1934-38 and will therefore represent a negotiable instrument which can be sold at any time in the open market.

Ultimate retirement of all certificates which may be re-discounted instead of being used to pay taxes must be provided for from future cash tax payments.

Obviously, the success of the plan will depend on the degree to which business utilizes this negotiable new capital in job-creating investments. Many big industrial concerns do not at the present time undertake any of the projects that von Papen anticipates in his scheme because there is no demand for increased production, or because they have no confidence that the commodity price decline has come to an end. Von Papen is obviously anticipating the end of the depression and termination of this deflation psychology. Recent events have convinced German bankers and some industrialists that he is right. Not a few believe he has stolen Hoover's thunder with his own cut-to-German-order reflation program.

Germany's budgetary position cannot be greatly weakened by the plan. The maximum amount of the subsidy is considerably less than $600 millions. Spread over 5 years, it can mean a drain of only $105 millions a year on the Reich's budget. Von Papen assumes, and no doubt rightly, that if his plan has the desired effect this gap will be more than offset by the general increase of tax receipts which would come in any business revival.

Is It Inflationary?

One of the first questions that arises when the plan is subjected to a careful scrutiny is whether it is likely to have any inflationist effect on the currency and the position of the Reichsbank which, in the end, might have to provide at least some of the necessary means for an eventual "mobilization" of the certificates.

In this respect, it must be remem-

International News

"DER ALTE WILL'S NICHT"—*"The old man won't have it," they say in Berlin, which, interpreted, means that President von Hindenburg is sure to dissolve the Reichstag and shear the bemedalled Capt. Herman Goering, "diplomat of the Brown House," of his new title, President of the Reichstag*

bered that there will be no immediate call upon the banks and upon the Reichsbank for very large amounts. The issue of the anticipation certificates will be spread more or less equally over the whole fiscal year beginning this October. It is also believed that the private banks will be able to finance a substantial part of these certificates even if the greater part are sold in the market.

Not a Currency Adventure

The fact that Dr. Luther, well known as uncompromising opponent of all inflationist experiments, has given his blessing to the plan, is widely considered as a guarantee of absence of any underlying inflationist dangers.

German industrialists claim that many plants now closed might have been able to keep open if wages below the established "rigid" union scale had been permitted in an emergency. Von Papen has been listening to them, has now decreed that employers may pay all their workers below the union scale in a fixed proportion to the percentage of additional men re-employed. It is understood, however, that the total pay roll must be higher than it was before.

The second von Papen decree increases tariffs on a large number of articles. Not only must German revenue be increased if possible, but German foreign exchange must be further guarded if loan obligations are to be paid, and home industry must be helped.

The tariff increases affect a large number of items—from fruit juice to saxophones—and the new rates are in many cases prohibitive. The old duty on chrome nickel wire, for instance, was $3 per 200 pounds; the maximum new duty is $5000. The old typewriter and calculating machine duty was about $75; the new duty is doubled. Office equipment, musical instruments, sewing machines, and foods are categories in which American imports are caught.

No Tariff Protests

Despite its drastic regulations, this new decree has brought small protest from abroad. Foreign exchange has been under such a tight ban recently that the government has had close control of imports. Some of the countries selling most to Germany hold largest credits which Germany is trying to service. It is a forced move made in desperation. Berlin can't be blamed.

Uncertain as the future of German economy is, there can be no doubt that the country is moving rapidly in the direction of state socialism. Banks, the shipping lines, the steel industry, many of the mines, and the railroads are just the first industries to win that protection.

A package Housewives appreciate

1. She can open this package without destroying the inner container.

2. The accordion fold enables her to firmly close the package again.

HESSER "DOUBLE-PACK" with Accordion Fold

Offers decided merchandising advantages

Here is a carton which the housewife can open *without tearing the inner container*—and its accordion fold enables her to seal it again after a quantity of the product has been taken from the package. Thus she has a package which *keeps the contents fresh down to the last ounce*—and which will not permit the goods to sift out of the container onto her pantry shelf. These are things a woman appreciates—real merchandising advantages!

The machine which makes this unique package also weighs the product, fills the package and seals it, at the rate of 70 per minute.

The inner container is cut and formed from a roll of paper; cartons are fed to the machine flat and are formed around the inner container. When filled, the inner container and carton are sealed separately. This produces a *double package, doubly sealed*—a container that affords thorough protection against deterioration. The inner container may be made of glassine, Cellophane, waxed paper, or paper-backed foil.

The Hesser Double-Pack is ideally suited to coffee, tea, rice, barley, cocoa, sugar and similar products that are commonly packaged in cartons.

We will be glad to show you actual samples of the Hesser Double-Pack with Accordion Fold.

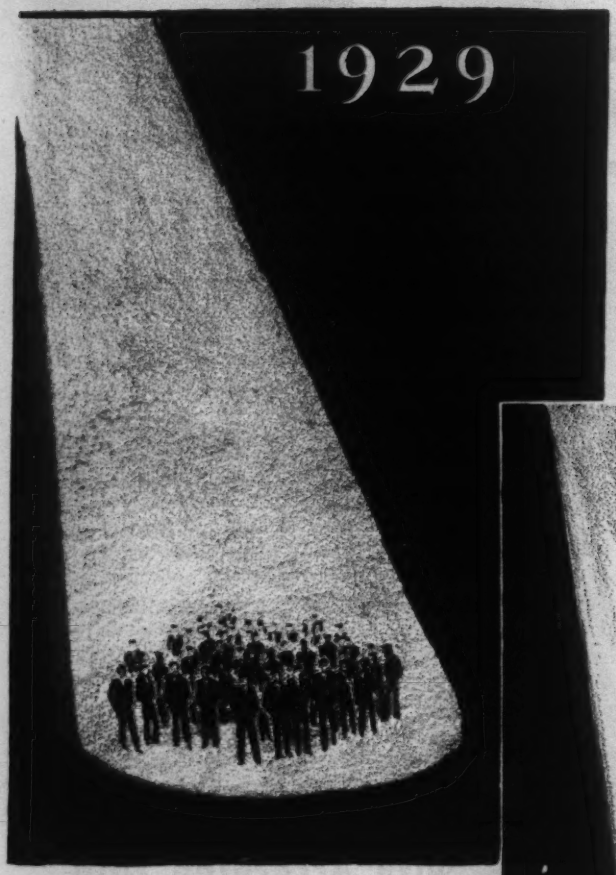
Bring your Packaging Problems to us

This is but one example of the great variety of packages produced by our machines—a line designed to meet practically every packaging requirement.

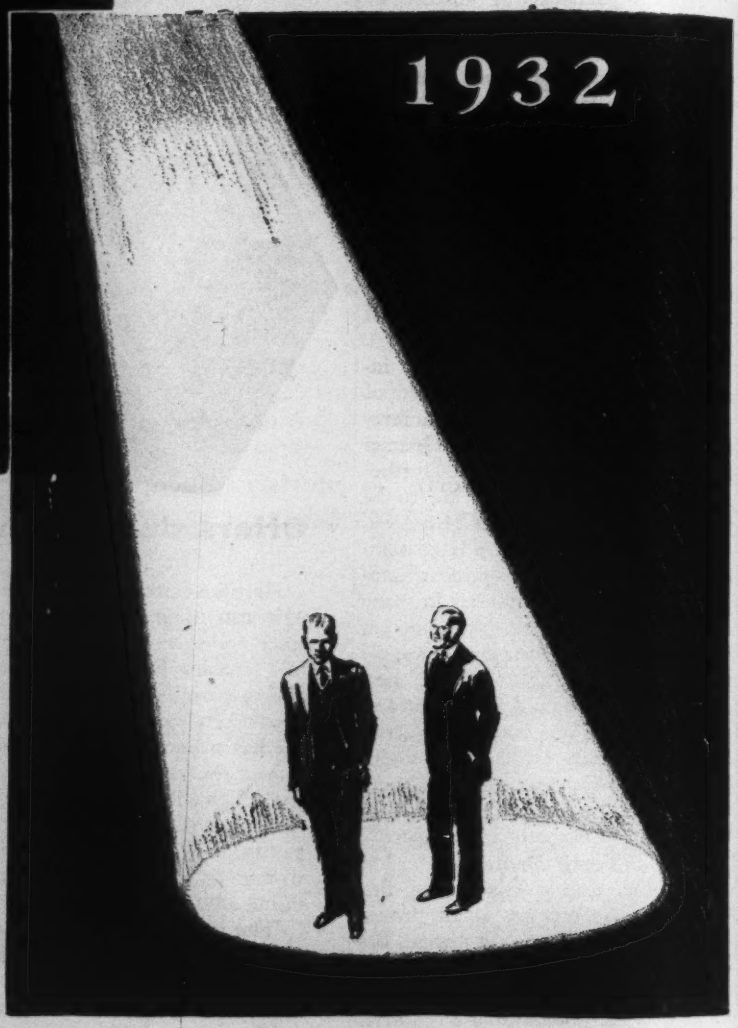
If you are seeking a better package to improve sales, or more efficient machinery to lower costs, consult our nearest office.

Package Machinery Company
Springfield, Massachusetts
New York Chicago Los Angeles
London: Baker-Perkins, Ltd.

PACKAGE MACHINERY COMPANY
Over 200 Million Packages per day are wrapped on our Machines



Today...



A prominent advertiser backs us up . . . . .

R. M. Ellis of the Philip Morris Company says: "The way to attract attention is to shout when everybody else is still.

"The way to attract attention is to advertise when everybody else is out. You get more and better *real* circulation for your money. People buy a paper because they want it. And when they buy it, they read it. You get better position of course. But, most of all, you get keener quality of appreciation. You rally round you the admiration and support of those who like to see a man pounding away at his business, regardless of how scared others may be."

McGRAW-HILL

New York · Boston · Philadelphia · Washington · Greenville

Business men, industrialists and engineers regularly read the McGraw-Hill Publications. More than 3,000,000 use McGraw-Hill books and magazines in their business.

Radio Retailing
Food Industries
Chemical & Metallurgical Engineering
Electrical World
Electrical Merchandising
Electrical West
Electronics

the spotlight is yours for the taking

Yesterday's advertising was like a three-ring circus . . . scores of competing advertisers vieing for the reading public's attention. Each one won a part of that attention; no one could hope to win all of it. But what matter? There was plenty of business to go 'round. Everyone was happy.

Today the volume of business is only sixty per cent of normal. But the volume of sales and advertising efforts is much lower. Some of the "fair-weather" companies are spending their time praying for business instead of going out after it. Instead of the ten or twenty competitors who shared yesterday's advertising spotlight, there's a scant one or two today.

That means more attention value for today's advertising dollar. *And, even with business at sixty per cent of normal, it means a bigger slice of purchasing power for each company that has the courage and initiative to make a bid for it.*

Good advertising is an exceptionally good buy today. But remember that good advertising is advertising that knows where it's going and how to get there.

Study your markets. Study the media you're using. Make sure your advertising is taking the most direct route to your prospects. Make sure you're not paying to reach a host of "not interested" readers. *That's* the way to get your money's worth from today's advertising.

If you sell to business and industry, the McGraw-Hill Publications will take your advertising to your logical prospects—and only your logical prospects—with the economy that 1932 conditions demand.

PUBLISHING COMPANY, Inc.

Cleveland · Detroit · Chicago · St. Louis · San Francisco · Los Angeles · London

American Machinist
Product Engineering

Engineering News-Record
Construction Methods

Engineering and Mining Journal
(*Domestic and Export Editions*)

Metal and Mineral Markets
Coal Age

Transit Journal
Bus Transportation
Aviation

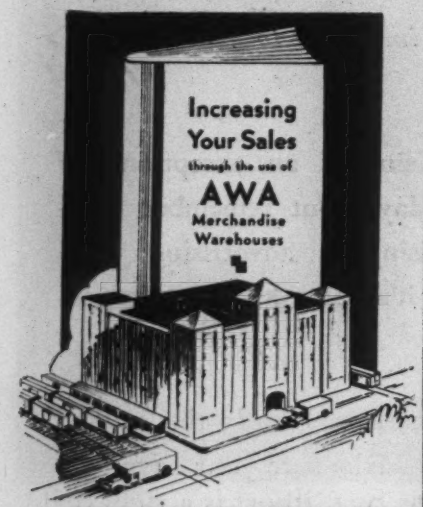
Textile World

Factory and Industrial Management
Maintenance Engineering
Power

The Business Week
Management Methods

FREE BOOK TELLS HOW

to Confine Your Expenses to Volume of Goods Moving



BRANCH HOUSE overhead has caused many a headache during the depression. Losses in many businesses can be traced to the expensive operation of branch houses—at a cost far out of line with the volume of goods sold.

Public warehouses, as operated by members of the American Warehousemen's Association, can cure your "branch house blues." These warehouses are located in every distribution center of importance—ready to furnish all necessary facilities and services required for the strategic spot-stock distribution of raw materials, manufactured goods, service parts of all kinds.

You pay on a "piece work" basis for the storage and delivery of your merchandise. Costs are based on the number of units of your goods that are handled. You have little or no overhead if business is dull. And if business is brisk, your costs are less than when operating your own branch house!

Write today for our free 32-page book describing the A. W. A. Plan of Distribution.

AMERICAN WAREHOUSEMEN'S ASSOCIATION

2023 Adams-Franklin Bldg., Chicago, Ill.

World Rayon Production Shifts In Favor of Japan and Britain

Latter is cutting heavily into export markets; U. S., still first in output, is slipping

RAYON prices abroad, as well as at home, are rising. So is production. The relative position of various producing countries is shifting.

The United States is still the largest producer—with something like 25% of world output. Last year Italy was second, but *Textile World,* in its annual summer estimate of world production, gives that place for 1932 to Great Britain, shifts Italy to third place. Germany, which was the third largest producer of rayons last year, drops to fifth place. Japan remains in fourth position but output, which totaled nearly 48½ million pounds in 1931, is estimated to reach almost 62 millions this year. And the Japanese are still expanding their rayon production on a pretty broad scale.

Four Nations Gain

The British, Italian, Japanese, and Swiss register heaviest production gains this year; Holland and the United States the heaviest losses. The positions of other world producers remain relatively unchanged.

Scarcely less interesting is the trend of prices. During the spring the record low prices for silk brought them almost into line with the prices of the better grades of rayon. Since that time, silk has recovered some of its strength. Rayon prices were tardy in recovering but in the last 3 weeks have moved upward encouragingly. Virtually every major producer has felt the improvement.

Japan Seeks Indian Market

The relative positions of the large producing countries in the world's important export markets has changed during 1932. Japan, for instance, has made a concerted sales effort on the Indian market which has been strikingly successful. In the first 4 months of this year, Japanese exports of rayon increased 150% over last year, major shipments going to India. Both yarn and fabrics entered the trade. In the case of fabrics, Japan supplied nearly 85% of the Indian imports. Italy, second supplier, scraped through with a bare 7%, but maintained about half of the market for rayon yarn imports.

As has been the case in almost all exports, the Japanese have had the advantage of cheap labor. Since December, depreciating yen exchange has been an added sales factor. The yen recently has exchanged at 41% of the old par value. In Japan's export list, only raw silk and cotton goods stand higher than rayons.

British Use Increases

The British have had something of an export advantage since the pound went off sterling, but in many of the markets in the Near and Far East this has been lost since Japan went off gold. Home markets in Britain, however, are favoring home production. British manufacturers last year turned out a bare 48 million pounds of rayon. This year the output is expected to run to 75 millions.

Commenting on the situation in the industry recently, an American producer made this statement: "In the past few months we have reduced our stock quite materially and, disregarding profits, the whole picture is now a much better one."

This applies fairly well to the entire world industry.

Rayon Research Develops New Fibers and Methods

RAYON research during the year has been concentrated on processes to increase speeds and lower costs, or to meet fashion's demands—as the vogue for dull finish in both woven and knitted fabrics.

There has been little study of new raw materials, since cotton linters and wood have been so cheap. In North Carolina, however, experiments continue in the harvesting and utilization of the entire cotton plant.

Greatest stride of the year was development of the Furness machine, a marvel of ingenuity which spins, treats, dries, twists, and packages cupramonium rayon. From spinneret into package takes 3 minutes.

New processes not yet widely adopted include a method of making a filament with a wool texture, and a formula for making a substance chemically the same as silk so that "real artificial" silk can be spun.

Wide Reading

RELIEF AND REVOLUTION. Charles R. Walker. *Forum*, September. The prospect for next winter. A guide for worried city fathers and relief administrators.

WORLD STOCKS, PRICES AND CONTROLS OF FOODSTUFFS AND RAW MATERIALS. Robert F. Martin. *Harvard Business Review*, July. A brief, clear summary of what has happened to the prices of some major commodities in the last decade. Succinct, kaleidoscopic, analytical.

A BRIEF FOR THE BANKERS. Clifford B. Reeves. *American Mercury*, September. Some of the weaknesses of the banking business; also some of its good points. A fresh criticism of the depression.

RADIO GOES EDUCATIONAL. Travis Hoke. *Harper's*, September. Radio programs are undergoing a change. Potentialities are just beginning to be realized. Thought-provoking for advertiser and merchandising specialist.

NEW CONSTRUCTION MODERNIZING HINESE CITIES. *Commerce Reports*, Aug. 9. Construction is extensive. Equipment and some materials are being imported. Possible outlet for the aggressive exporter.

RAILROADING ON BORROWED MONEY. Pierce H. Fulton. *Magazine of Wall Street*, Sept. 3. Which roads are the borrowers from the R.F.C. or the banks, and which are standing on their own feet?

FEDERAL TAXES CAN BE CUT A BILLION. Bernard M. Baruch. *Nation's Business*, September. The wartime head of the War Industries Board sees a chance to cut federal expense $1 billion.

REPORTS—SURVEYS

THE FEDERAL FISCAL EMERGENCY. National Industrial Conference Board, 84 pp., $1.50. Comprehensive analysis of the Treasury's present plight and how it got there, with some suggestions as to what should be done.

A DECADE OF CORPORATE INCOMES—1920 TO 1929. S. N. Nerlove. University of Chicago, 75 pp., $1. Corporate incomes and their disposition during one of the most interesting economic periods in history.

REPORT OF THE GOLD DELEGATION. League of Nations, 83 pp., 60¢. Released the United States by World Peace Foundation, Boston. The gold standard system since the War.

BOOKS

THE COMING OF A NEW PARTY. Paul H. Douglas. Whittlesey House, 245 pp., $2. Reasons for organizing a third party, and a platform on which it might stand.

HUMAN ENGINEERING. Dr. Harry Myers. Harper, 318 pp., $3. Sound human philosophy presented in conversational style by a personnel man who has practiced his theories.

JAPAN. Inazo Nitobe. Scribner's 398 pp., $5. Japan, by a Japanese. General, philosophical. For the executive who wants more than a handful of economic facts.

MODERN BUSINESS LETTERS. Cay Vernon. Sully, 213 pp., $1. New, well-organized, concise letter manual.

1932 Readjustment Year in Industry

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Business Abroad—Swift Survey Of the Week's Developments

Confidence is spreading. . . . Germany is backing vast government subsidy program for industry and labor; raising tariffs to increase revenue, protect manufacturers, and safeguard foreign exchange. . . . Britain is optimistic despite the textile strike. . . . France is preparing for $3 billion conversion scheme; is holding back on trade negotiations with the United States. . . . Central Europe is working out trade preferences in special conference preliminary to world parley. . . . Japan failed to pass complete relief program. . . . Mexico changed governments without disturbing business. . . . World outlook is brighter.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe made striking progress last week toward internal reconstruction, but much is yet to be accomplished. Present gains cannot count for too much until the world conference settles on plans to lower tariffs and open trade channels. Meanwhile internal reconstruction paves the way for progress when trade is less hampered.

Nothing was more significant during the week than Germany's bold move to revive industry by carefully planned credit inflation. Decreed by Hindenburg, backed by conservative Dr. Luther, head of the Reichsbank, studied by economists at home and abroad, the plan is winning widespread approval. It is little more than government subsidy of industry and labor. It is what might have been expected from the Nazis. It may succeed in reviving Germany economically. The government is very obviously of the opinion that the depression has passed its deepest point. Reaction this week indicates that Germans are willing to gamble with the government on this prospect of an upturn.

The second development of special importance is the meeting in Stresa, Italy, of delegates from 15 nations who are discussing means of lowering trade barriers and reviving international trade. Eight of the nations present are distinctly agrarian, have conferred within recent weeks among themselves at Warsaw and agreed to stand together. These 8 are: Austria, Hungary, Czechoslovakia, Bulgaria, Rumania, Yugoslavia, Poland, and Greece. They are trying to get the great creditor nations to agree to grant import quotas on certain products which they can supply and with which they wish to meet debt obligations. They intend to ask that most-favored-nation clauses be waived, at least for a time, and that their agricultural products be allowed to move freely on a quota basis in Europe. Well-informed observers believe they may arrive at some concrete suggestions which can be adopted outright at a later world conference.

There are signs of further improvement. Commodity prices are strong. Securities are in increasing demand. Industrial activity is reviving in a few lines. Diamond sales at Antwerp are sharply up. Germany's amazing revival of confidence supports earlier revival in New York and London.

Great Britain

Confidence continues. . . . Stocks and commodities firm and active. . . . Textile strike not settled. . . . Industry resents capital issues embargo.

LONDON (*Cable*)—Britain is increasingly confident, despite the depressing effect of the textile walkout. Opinion in the City now is widespread that government intervention will, before long, bring about successful mediation.

Securities markets and commodities are strong. On the Stock Exchange, industrial, mining, and rubber shares are especially in demand. The boom in Berlin early in the week, and the continuing strength in Wall Street, are contributing factors. The rise in unemployment is due to the cotton strike.

The government's embargo on new capital issues in London is threatening to pass from a purely financial to a political issue.

When the conversion scheme was launched, the Chancellor requested that private houses refrain from offering capital to the possible prejudice of conversion. This request was faithfully honored, largely from patriotism and latterly from a lively appreciation of the power of the treasury to penalize those who might disobey its wishes.

It has recently been unofficially made known that the government intends to maintain the total ban on new issues until the end of September, and then to lift it only in part, allowing only refunding issues until later in the year.

If the plans carries, and if enterprises are not allowed to seek fresh capital in an open market, Britishers are likely to question more than ever the benefits of Ottawa where, it is presumed, the government made promises which it feels now it is carrying out.

Germany

Sentiment rapidly improving. . . . Securities markets soar in heaviest trading in several years. . . . Government subsidy program boosts industry, projects new jobs for 2 millions. . . . New tariff increases shut out foreign goods, protect foreign exchange; import quotas may follow.

BERLIN (*Cable*)—"No longer will we stand for being treated like a second-class nation." This declaration from General von Schleicher, real authority in the present German government, epitomizes the new spirit that is taking hold of Germany.

Though tied to a discussion of Germany's demand for equality of armaments, the statement applies equally to the entire economic program which the Reich is initiating.

In many ways it is similar to the program which President Hoover has inaugurated. Differences are simply those which are necessary to make it fit the German situation. Some neutral observers in Berlin believe that von Papen's program goes a bit further than the United States has ventured.

Accomplishments in Germany's reconstruction program to date include a vast $720-million scheme for subsidizing industry and employment, and extending previously-planned public works for the winter (page 22). Instead of resorting to a loan (which would be impossible internally or externally), the government is financing a business upturn through a system of tax refund certificates. These will probably not exceed $520 millions and will be made out to industries as a refund on a fixed percentage of taxes paid in the coming fiscal year. With these certificates, which will be rediscounted by the Reichsbank, industry will be enabled to re-tool and remodel, to finance first incoming orders, or to pay taxes between 1934 and 1938. Probably the certificates will be passed along a number of times before eventually being offered as

payment of future taxes or presented to the Reichsbank for rediscount.

Labor is to benefit, though there are those Germans who declare it will also lose. According to the von Papen plan, each employer will be paid a bonus for each new worker employed if no other worker is turned off. This, the government argues, will be cheaper than the dole. Nearly 2 million workers can be returned to industry on the amount allotted by the government if employers utilize it fully. On the other hand, employers can pay less than the union wage if total wages, spread over more men are not reduced.

Germany Raises Tariffs

Aid to business does not end here. Tariffs have been jumped radically on a large list of items which can be purchased within the country or which can yield a much-needed revenue to the government. This hits the United States and Britain particularly. Office equipment is one important category included in the higher duties.

Still to come are new quotas on agricultural products. Von Papen condemned "autarchy" (self-sufficiency) in a recent speech and then proceeded to practice it. Germans see the reason. So do a few foreigners. If Germany is to meet obligations abroad in the face of drastic exclusion restrictions, it must buy as little as possible outside the country and conserve every bit of foreign exchange from exports. Inasmuch as some of the countries hit by the new order are Germany's largest creditors, they can say little. It is simply a matter of giving up temporarily their export market in Germany to get out of Germany what is owed in service charges and maturities.

German sentiment is definitely on the mend. Von Papen's stiff policies are giving courage to business. Simultaneously, world securities and commodities markets are improving. Internal reconstruction is becoming general. Germany is stepping out boldly to reconstruct her finances and revive her industry. It may be possible at the same time to return to the old status of a first-class power free of foreign domination.

France

Foreign problems perplexing, but domestic sentiment good. . . . Securities markets firm and active. . . . $3 billion conversion anticipated in October. . . . Artificial farm protection likely to be restricted. . . . Franco-American trade treaty hits snag; French industry indifferent over United States market unless Washington will make concessions.

PARIS (*Wireless*)—Perplexing problems in foreign relations have arisen this week but they have not blotted out a definitely better feeling in domestic business circles.

Germany's direct appeal to France for equality of armaments is being sidetracked by referring it to the League Council. Germany's sabre-rattling, however, cannot be ignored. Paris is considerably concerned. Then there is still the Montagu Norman visit to New York which has not yet been satisfactorily explained. Some authorities still believe that it is concerned with negotiations for a British loan which may be floated in the United States.

At home, however, there are a few favorable economic developments and a decided improvement in sentiment. The Bourse has been unusually active for several weeks, and public interest in securities is spreading. A part of this new interest is due to the steady improvement in world commodities prices, a part to more optimistic sentiment in other major capitals, but most to the promise of a huge conversion operation likely to come in the next few weeks. Industrial activity is admittedly low. In the leather dressing business and in the shoe industry, however, factories are again working full time, and the Roubaix-Tourcoing textile mills received more orders last week than during the previous 2 months. Hosiery mills have increased working hours from 27 to 36. Slight improvement is reported also in the paper, cardboard box, electricity, and building industries around Paris. Car loadings are above previous lows, and employment has improved slightly.

$3 Billion Conversion

The success of London's huge conversion operation has encouraged Paris to undertake a similar move, and industry and banking are urging that it be initiated soon. In Paris, it is believed now that the Chamber of Deputies will be called into special session late next week to pass the necessary legislation. Actual conversion is likely to come early in October.

In this operation, it is expected that the government will plan to convert more than $3 billions of outstanding obligations which are now carrying from 4% to 7% interest. It is uncertain what the rate will be on the new Treasury issues. Most Paris authorities are inclined to expect 4½%, though a few

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believe the government will attempt to issue the new offerings at 3½%, the same rate to which Britain converted its outstanding indebtedness.

France is as yet not deflated. Depression came to the country long after it was well under way elsewhere. In the last 10 months it has affected industrial France increasingly. The precipitous fall in the artificially protected French wheat market (*BW—Aug31'32*) is indicative of the deflation process which must come to agriculture and to certain industries. Official Paris has long protected the farmer because of the politician's dependence on the farm vote. Now the budget deficit and the need to bring down the cost of living if France is to fit into her old place in world economy is making it necessary to abandon a part of this protection.

Trade with America Dwindles

Prospects for a new Franco-American trade accord which would give products from the United States most-favored-nation rights on the French market are not bright. During the week the important French Commercial Association, representing 450 of the great French trade syndicates, petitioned the Minister of Commerce to abstain from further negotiations with the Americans because (1) the United States, with its high protective tariffs, is demanding for its products in France the minimum rates without at the same time offering the French anything; (2) the American threat to call up Art. 338 in the Tariff Act (which allows a 50% increase in tariff on products from countries discriminating against American goods) is not serious since French sales to the United States have already been reduced to a relatively inconsequential figure; (3) invisible imports (tourist traffic) have been reduced 60% since 1929.

The only hope that the negotiations between representatives of the 2 countries will get anywhere rests in the possibility that each will see the necessity of making important concessions. In that case, it will be up to the United States to make some move next.

Keystone

GRASPING YANKEES—*French merchants told their diplomats, negotiating in Paris for a new Franco-American trade treaty, that Americans wanted a lot, conceded little, deserved nothing. Bargaining for the United States are (first 2 seated from right) Fayette Allport, commercial attaché, and Williamson Howell, first secretary of the American embassy in Paris*

Latin America

Mexico changes government without affecting business. . . . Chile starts program of state socialism. . . . Colombia anticipates favorable balance of trade.

THE peaceful change of government in Mexico, inauguration of state socialistic activities in Chile, and continuation of the civil war in Brazil are outstanding in Latin American news this week.

Mexico's change in government is expected to bring no radical change in policy. Certainly it had small effect on business, which remained on a steady keel during the 2 or 3 days of uncertainty immediately preceding the shift. Exchange failed to react.

Creation of a price and supply commissariat in Chile "to regulate the prices and quality of essential products" has aroused considerable interest abroad. The provisional government has set up a State Foreign Trading Co., a State Industrial Co., a State Mining Co., a State Construction Co., and a State Transportation Co. Branches are established throughout the country. Government officials declare this is the only way in which they can pull the country out of its economic rut. There is still considerable speculation outside of Chile over the probable duration of the present form of government.

There has been little change in the Argentine situation. From Colombia come reports that the government is expecting to be able to report a favorable balance of trade this year, that better coffee prices and increased demand are benefiting the country.

Brazilian news is still heavily censored. It is known, however, that both the federals and the rebels are getting war supplies outside the country and that it is possible that hostilities may continue for some time. Coffee prices continue to rise, but actually they are up, in the last 6 weeks, slightly less than the commodity average.

Far East

Japanese Diet fails to agree on large-scale relief program; farmers and small merchants will get $40 millions in aid. . . . Export sales up; rayon industry to expand; cotton manufacturers to curtail to 36% until end of year in effort to raise prices. . . . Shanghai merchants plan to renew Japanese boycott. . . . Manchukuo contemplates large road-building program.

SIGNS of further economic recovery in the Far East failed to develop this week. The widespread recovery of commodity prices is helping to improve sentiment, but political events are still ominous and the Chinese have not relented in their plans for another boycott of Japanese goods.

Relief plans made little headway in

the special session of the Japanese Diet. Members of the Seiyukai party in the coalition cabinet refused to cooperate in general schemes for relief, with the result that about $40 millions were voted to aid poverty-stricken farmers and almost all other measures were shelved. There is still no provision to cover the budget deficit.

Textile Curtailment

Despite Japan's heavy export sales of rayon and cotton goods and the revived demand for raw silk, industry is not wholly occupied. Rayon production is likely to be stepped up, however, in the next few weeks and production facilities are being rapidly expanded in anticipation of a return of more normal business conditions. In the cotton industry, on the other hand, spinners have agreed to curtail output to 36.4% between Oct. 1 and the end of the year. Cocoon output has already been cut 14% and the government is making plans to utilize indemnified silk stocks in special products for home consumption.

More than 39 million depositors in the government postal savings banks will be affected by the recent decision in Tokyo that the interest rate on these deposits will be cut from 4.2% to 3%.

Boycott Revived

The situation in North China is tense. Rumors that Japan plans to occupy the area south of Manchuria proper and to include the important seaport at Tientsin are linked with reports that the military head in Peiping is working in opposition to the central government in Nanking. Authorities are not inclined to believe that Japan will take this move, are more ready to believe that it is propaganda connected with the plan to recognize Manchukuo, withdraw from the League of Nations if the report of the League commission on the Manchurian campaign is unfavorable.

In Shanghai, meanwhile, representatives of 70 Chinese guilds have banded together in a plea to all Chinese merchants to make effective "the economic blockade against Japan provided in the League covenant." Feeling is running high again.

May Build Roads

Road-building equipment manufacturers are interested in the latest reports from Mukden that the new Manchukuo government plans to build 30,000 kilometers of highways in the next 10 years. It is true that there is still no provision for financing the project but because of the importance to the army, it is likely that funds will be found to carry out at least the most essential part of the work.

● Industrial concerns have taken advantage of the depression to modernize their plants by substituting electricity for other forms of power and gas for other kinds of heat. During the year ended April 1932, industrial electric customers in the United States increased by 39,578; industrial and commercial gas customers by about 12,000.

In Associated areas, 1,267 companies have recently modernized their industrial methods with electricity and gas.

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The Figures of the Week And What They Mean

More hopeful signs appeared among the business indicators this week than have been apparent recently. . . . Construction activity took a spurt forward that will lift August above July. . . . Coal production, particularly anthracite, continues its seasonal expansion. . . . Electric power output is also making a better showing, while carloadings are increasing twice as fast as last year. . . . Though steel activity indicates a slight improvement for the week, the rise will have to await the trend of succeeding weeks before its full significance can be ascertained. . . . Commodity prices continue to maintain strength.

Post Labor Day steel activity showed an insignificant rise of about a point for the country as a whole, due chiefly to a somewhat sharper rise in the Cleveland and Youngstown districts, where furnaces have been cold for several weeks. How optimistically this reversal of trend can be taken will depend upon succeeding weeks. The meagerness of orders both as to number and size has made it more profitable for concerns to operate at irregular intervals when an accumulation of orders is available than to operate a little every day. Hence the fluctuations in the operating rate of the industry as a whole may be misleading in their general indication of trend.

Pig iron production in August continued to decline, falling 7.3% below the July daily average. Total tonnage output aggregated 530,576 tons against 572,296 tons in July and 1,280,526 a year ago. Blast furnaces in operation on Sept. 1 numbered only 42, a loss of 4 during the month, and equal to a fifth of those in operation on Sept. 1, 1929. The resumption of 4 furnaces in September is expected as a result of the mild improvement in buying from miscellaneous sources in the Cleveland district. Heating and railroad equipment manufacturers were the leading buyers, according to data collected by the *Iron Age*.

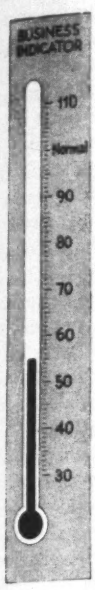
In Detroit, the Ford steel plant remained idle after the holiday, but the automobile manufacturing plant resumed operations at a modest pace. A "reclassification" of jobs is reported that undoubtedly resulted in a lower wage bill. Employment in Detroit on Aug. 31 sank to 29.2 compared with 32.9 on Aug. 15 and 50 a year ago, due in the large to the Ford shutdown in the latter part of August which also affected other automobile plants in the city.

Ford placed some small orders for sfeel as his Detroit plant resumed, but other motor manufacturers are still marking time. A few have inquired about fourth-quarter prices. Little is expected in the way of orders in the near future.

Structural steel awards totaled 27,300 tons, the largest since June, but the bulk of the awards was accounted for by a Philadelphia post office. The approval of the Reconstruction Finance Corp. for a number of "self-liquidating" projects will liberate some steel demand shortly. Hope is expressed that domestic producers of raw materials will be the

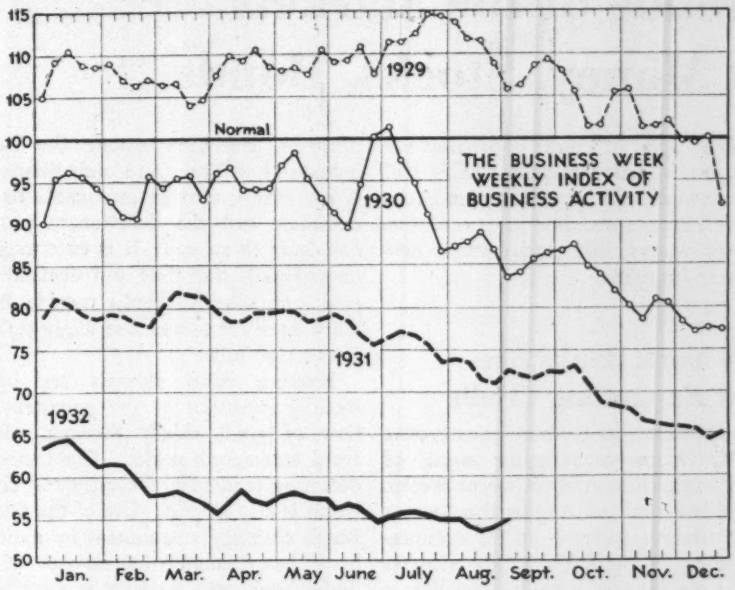
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*55.0	†54.2	72.7	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	14	13	28	63
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,301	$4,380	$8,722	$17,515
Bituminous Coal (daily average, 1,000 tons)	*887	825	1,249	1,562
Electric Power (millions K.W.H.)	1,465	1,436	1,636	1,638
TRADE				
Total Carloadings (daily average, 1,000 cars)	90	86	127	171
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	60	59	83	109
Check Payments (outside N. Y. City, millions)	$2,494	$2,468	$3,771	$4,604
Money in Circulation (daily average, millions)	$5,740	$5,706	$5,060	$4,836
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.49	$.47	$.41	$.97
Cotton (middling, New York, lb.)	$.088	$.088	$.068	$.158
Iron and Steel (STEEL composite, ton)	$29.32	$29.24	$31.04	$34.32
Copper (electrolytic, f.o.b. refinery, lb.)	$.058	$.054	$.073	$.126
All Commodities (Fisher's Index, 1926=100)	62.5	61.9	68.9	88.6
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,337	$2,330	$1,236	$1,292
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,539	$18,499	$22,063	$21,995
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,284	$6,280	$7,898	$8,719
Security Loans, Federal Reserve reporting member banks (millions)	$4,512	$4,548	$6,500	$7,095
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$345	$355	$1,366	$3,661
Stock Prices (average 100 stocks, Herald-Tribune)	$92.61	$90.71	$113.64	$157.10
Bond Prices (Dow, Jones, average 40 bonds)	$82.00	$82.03	$92.93	$95.35
Interest Rates—Call Loans (daily average, renewal)	2%	2%	1.5%	4.8%
Interest Rates—Prime Commercial Paper (4-6 months)	2-2½%	2-2½%	2%	4.1%
Business Failures (Dun, number)	549	589	463	414

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



recipients of the contracts in preference to foreign competitors. Congress did not provide for the disbarment of the latter.

Railroads are watching the trend of carloadings before committing themselves to extensive equipment and supply orders. The Reading is reported to be starting an important repair program to rebuild 3,000 freight cars and 78 locomotives. The proposal to form a railroad equipment credit corporation is said to receive the sympathetic approval of the R.F.C., but nothing definite has been reported.

Construction Contracts

Construction activity in the closing days of August took a sudden upward spurt. The index for the period ending Aug. 26 rose to 28% of normal compared with 25% the preceding week. Non-residential awards were particularly heavy, achieving a total of $21.9 millions in the last 8 business days of August.

Public works and utilities ranked second in importance, with a total of $19 millions. Residential contracts ran a poor third with a total of $7.1 millions. Total value of awards in the 37 states in the last week of August was more than $48.1 millions.

Both bituminous and anthracite coal production showed gains during the week ended Aug. 27, with the latter showing the sharpest gain after several weeks of declining output. The increases are seasonally in order, but the 29% increase in anthracite may have further significance in view of the wage reduction conference now taking place in New York City. Union internal difficulties in the Illinois fields apparently had little effect on production during the last week in August. Output nearly doubled compared with the week previous.

During the week preceding the Labor Day recess, electric power production increased fairly sharply, raising our index to 71% of normal. Compared with a year ago, the decline is now but 10.4% against 12.3% a week ago. The latest report on electric power consumption covering the month of July shows very little change in the relative positions of the various consumers. The decline in power used in domestic service slumped less severely this year from June to July than last year, so that a 5% spread over 1931 was shown for the first time this year. Small commercial users increased their consumption during July at a slightly greater rate than in 1931, but the large commercial users consumed less than in June.

Carloadings Better

The steady, upward trend in carloadings since the first week in August has been one of the most cheerful aspects of recent business data. The rise is probably entirely seasonal, but the gain in the month has been 8.5% compared with 3.9% for comparable weeks of 1931. The adjusted index for the week ended Aug. 27 rose to 49% compared with 48% the preceding 4 weeks.

Check payments during the week ended Aug. 31 increased 15% in New York City, but the rise outside of this financial center was less than 2%. The index based on 140 cities outside of New York rose a point to 62%.

Currency circulation daily average for the week ending Sept. 3 increased in accordance with the usual month-end requirements. Interest now centers upon the volume of new national bank notes in circulation permitted under the Glass–Borah amendment to the Home Loan Bank bill. On Sept. 1 some $68 millions of bonds were pledged with the Treasury to support such currency, compared with $3.4 millions on Aug. 1.

Fewer Banks Closed

Bank suspensions during the last days of August jumped to 17 when a chain of 10 banks in Idaho and Oregon collapsed. Preliminary figures for August compiled by the *American Banker* indicate a sharp decline in suspensions to 83 against 134 in July and 149 in June.

The upward swing in commodity prices has struck no major resistance level yet. Wool, cotton, rayon, rubber, coffee, wheat, steel scrap, hides, cocoa, copper, tin, and zinc continue to display strength. A price war threatens to raise havoc with chlorine quotations, a chemical of great importance in the textile industry. Silk prices were irregular, and sugar reacted slightly from early highs. There were slight changes in corn and silver prices.

The government is reported to have made a fair profit on its first sale of the coffee traded for wheat. Maxwell House and the Great Atlantic & Pacific Co. are said to have bought the offerings. Smaller roasters are holding off.

Trends of the Markets In Money, Stocks, Bonds

Slight signs of credit expansion appear, but security market rise is still supported chiefly by private funds. . . . Bonds become steadier as speculative interest wanes, but stocks await new business impetus.

New York Banks Are Now Expanding Credit

THE latest member bank statements offer slightly more encouraging signs of credit expansion than in recent weeks. In the last week of August there was a fairly sizeable increase in the commercial loans of New York City member banks, for the first time in more than a month. Investments of the New York banks also rose, both on account of government and other securities. Holdings of other than government securities by New York City member banks have expanded for two successive weeks, indicating more active investment interest among the larger city banks.

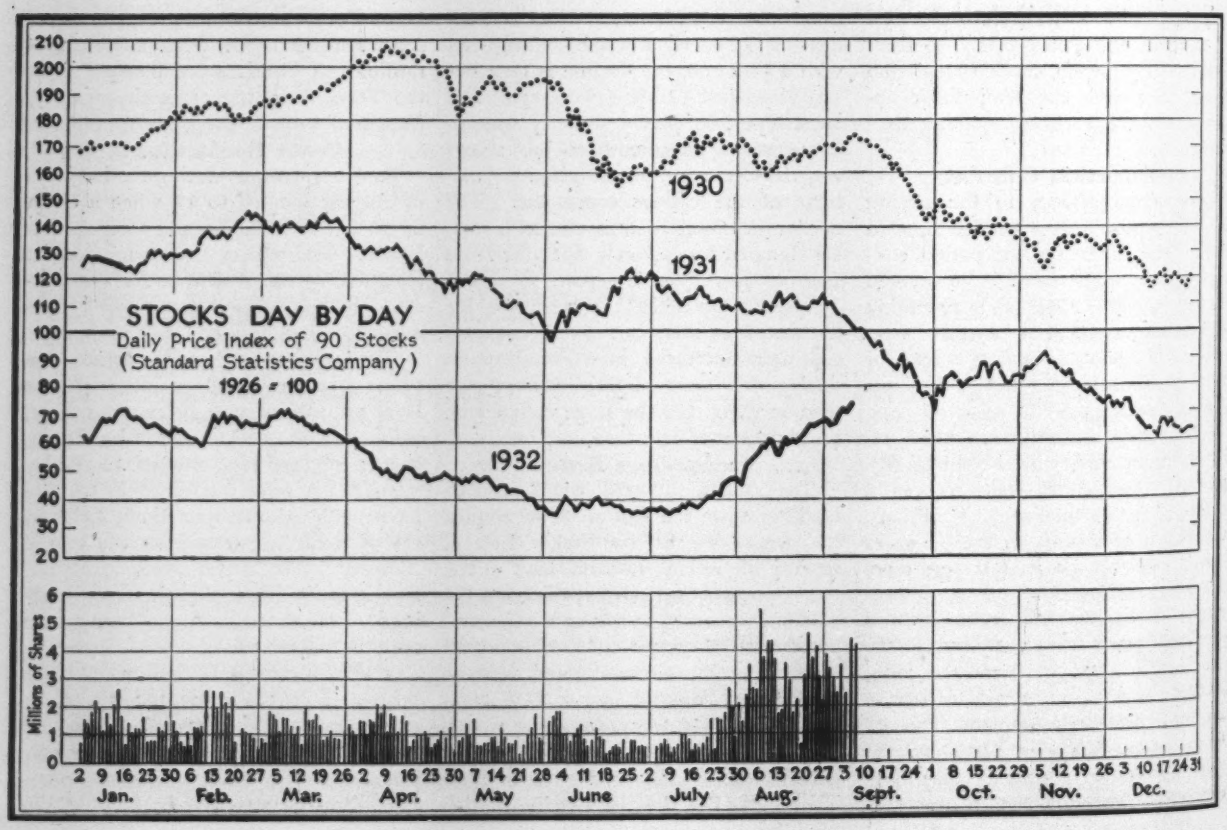
Liquidation of loans and investments, however, continues among the banks outside New York, and until this trend is reversed it will be impossible to say definitely that the deflationary process has come to an end. It is encouraging, nevertheless, that time and demand deposits of member banks outside New York have tended to rise slightly since the end of July.

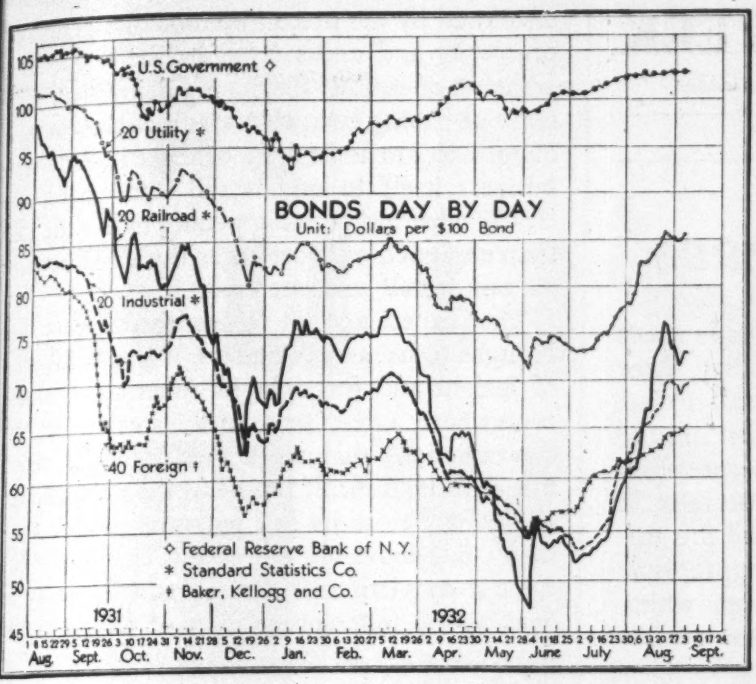
Member bank reserves are being steadily increased by the persistent inflow of gold, chiefly through release from earmarked stocks. The generally declining tendency of currency in circulation is also helpful. Use of the Glass–Borah currency amendment by national banks has resulted in an increase of national bank note currency in circulation amounting to only about $50 millions. Since total currency in circulation has declined since this legislation was passed, it is obvious that this increase has been offset by retirement of a larger amount of Federal Reserve notes.

The steady decline in security loans of weekly reporting member banks in face of the rapid rise in security prices has been a striking feature of the financial picture during the past two months. Both the figures of the weekly reporting member banks for all loans on security collateral, and those for loans to brokers by New York City member banks have failed to show any marked tendency for larger use of member bank credit in support of the rising security market. Security loans of reporting member banks in New York at the beginning of September were actually $64 millions below what they were at the beginning of July, when the market was around its low point. Brokers' loans were only $3 millions larger, although they showed a $13-million rise in August alone.

Some Private Lending

These facts have been generally assumed to indicate that the rise in security prices has been a reflection of cash investment buying rather than of margin speculation. That this is not altogether true is indicated by the New York Stock Exchange figures for borrowing by members, which show an increase of about $90 millions during August. These borrowed funds must have come largely from New York banks and trust companies not included among the weekly reporting member banks or those reporting brokers' loans, and also from foreign and domestic private lenders.




BONDS DAY BY DAY
Unit: Dollars per $100 Bond
U.S. Government ◇
20 Utility *
20 Railroad *
20 Industrial *
40 Foreign †
◇ Federal Reserve Bank of N.Y.
* Standard Statistics Co.
† Baker, Kellogg and Co.
1931
1932
Aug. Sept. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July Aug. Sept.

This indication of revived private interest in the call loan market is a significant sign of returning financial confidence.

Bank Interest Encourages Slackening Bond Market

AFTER the evidences of weakness that appeared toward the end of August, the bond market has become steadier, although there is no sign of the same vigor that was behind the spectacular advance of the preceding two months. It is probable that the speculative interest back of that advance has about exhausted itself, and that the market must now look to more solid investment influences for its support. Signs of renewed bank interest in the investment field which have appeared in recent weekly member bank statements are encouraging. The strength of the market has not yet been tested by any important new issue, but the usual prompt oversubscription to the September Treasury note and certificate offerings, amounting to over a billion, show the potential investment resources.

The only special feature of the bond market during the past week was the flurry of interest in foreign issues associated with marked improvement of sentiment about European prospects, and the strong bull movement on the Berlin Stock Exchange following the announcement of the von Papen government's economic program.

Stock Market Could Use A Little Nourishment

DESPITE the strong support to speculative sentiment which has been supplied by the broad strength in commodity prices during the past week, the stock market is increasingly in need of more nourishing business news. The market has become increasingly hesitant as definite indications of expanding business activity at the outset of September have been delayed. There is still plenty of speculative enthusiasm and broadening investment confidence behind the market, and this has been emphasized in the past week by the optimistic tone of developments abroad, particularly in Germany. But the market advance has been so rapid and so far ahead of actual developments in industry and trade that its position has become somewhat vulnerable.

Long-Run Confidence

Expectations of important changes in the business picture immediately after Labor Day were naturally somewhat exaggerated, and the stagnant condition of business activity which has hung over from the latter part of August may prove disappointing to the more hopeful element in the market, bringing some reaction from present levels. There is no doubt that the market is energetically discounting some fall business improvement, but for the most part its strength rather reflects confidence in the long-run course of events now that the financial crisis has passed.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

September 14, 1932

After Three Years

LABOR DAY has become for us inevitably a sort of emotional landmark. It was, you see, three years ago this week that the biggest bull market of all time reached its peak and the first issue of this journal of business news and interpretation made its appearance. Since then, naturally, it has become impossible for us to round this calendar corner without an outburst of appropriate sentiment, philosophical, reminiscent, whimsical, or what not, such as all editors are expected to express on occasions of that kind.

Some, of course, may see in the coincident anniversaries of the stock market peak and the launching of this magazine as this Labor Day comes around a quaint commentary on the futility of labor. Before the seventh of September, 1929, it did seem silly to work at anything. Since then it has seemed more and more unprofitable and for many impossible, and nothing we could say seemed to make any difference in that respect.

But that, quite excusably, has not been the cynical conclusion we have drawn as we have sat on the business toboggan during the past three years and watched the labors as well as the speculations of so many men be washed away without trace. For us the depression has rather driven home both the need of realistic journalistic service to American business and the supreme importance to its future of its workers as a group and of work as its essential spirit.

It is an inestimable advantage—though quite accidental, of course—to have been thrust into the job of describing and interpreting the development of American business exactly at the close of perhaps the most extraordinary period of prosperity and the beginning of certainly the most serious depression of its history. Never before has a business periodical in this country had such an opportunity to look at the true character and problems of American business with an open mind, unhampered by tradition, uncolored by the preconceptions of a period of prosperity and undismayed by the doubts and anxieties of steadily deepening depression. The sense of having been able to utilize this unusual opportunity to assist some of those in American business itself to understand somewhat more clearly what has been happening to it is the sole source of such satisfaction as there has been in the task for all associated with it.

The experience of these three years has brought to us, as we are sure it has to all men of insight and foresight in American business everywhere, a deep sense of the weaknesses and contradictions that mark our economic structure and the difficult problems that it must face and solve before its full potentialities are realized. But above all, out of this experience has come a conviction of the supreme necessity as well as the inherent nobility of labor, in the broadest sense of that word, as the basis of American business prosperity and progress.

If this depression has taught us anything, and if there is anything which it should have taught American business, it is that there is great work to be done in this country before any one of us can stand up before the world and honestly say it is good. In all of the more important elements of efficiency and fairness essential to the stability and progress of our economic system we have barely made a start.

So, as the prices of stocks and commodities begin to rise once more and hope springs again in the breast of American business, we say its job, and our job, is but begun. These things can mean nothing, they are mere numbers in the mouth or marks on paper, if men in America are not at work, in the deepest sense of the word. The ten million who stand idle on Labor Day, 1932, are the most colossal challenge to the energy and intelligence of any generation that has lived, and we who believe in the power of American business cannot evade it.

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